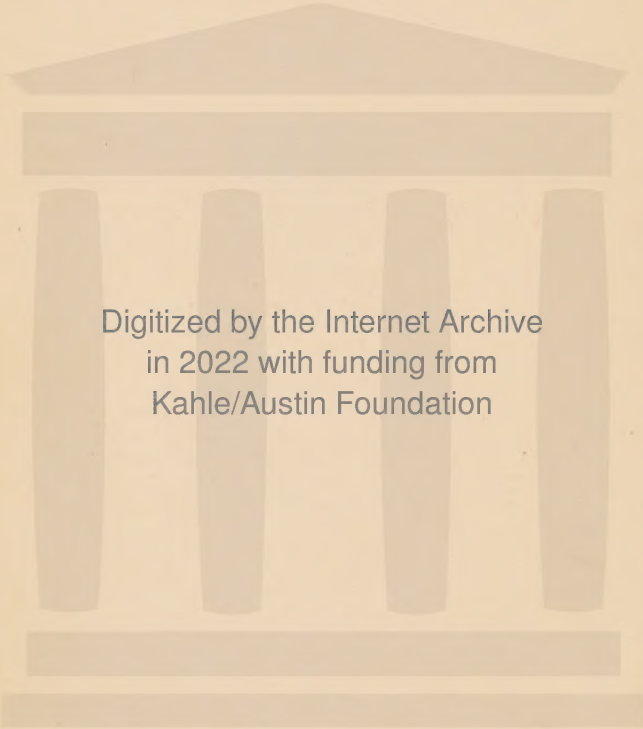


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THE HISTORY
OF THE
PRESENT TARIFF

1860-1883

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NEW YORK & LONDON
G. P. PUTNAM'S SONS
The Knickerbocker Press
1885

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PREFACE.

THIS volume is intended to give a narrative of the growth of the protective system which now exists in the United States. It is concerned chiefly with the obvious facts in the history of tariff legislation, and does not touch directly the more important, but less easy questions as to the economic effect of that legislation. It endeavors to state the circumstances under which the various tariff acts were passed, the causes which made their enactment possible, and the changes of duty which they brought about. These bald facts may be familiar, in a greater or less degree, to those who have taken an interest in public affairs during the last twenty-five years; but they are little known and not easily learned by the younger generation which has grown to manhood since the time when the high protective system became a permanent fixture. Even for those of the older generation who were spectators of the growth of this system, it may be of service to point out, what is not always clear in contemporary events, the meaning and connection of what happened under their eyes.

No complete account of this important field in our tariff history has been given to the public. Professor Sumner,

in his "History of Protection," and Professor Perry, in the historical chapters of his "Principles of Political Economy," have touched on it; but their accounts, written some years ago, are necessarily incomplete so far as they apply to the existing state of things. The same is true of Mr. Wells's essay on the "Recent Financial, Industrial, and Economic Experience of the United States" (1872). I hope that, in giving a systematic account of the growth of the present tariff system from 1860 to 1883, I have added something to the valuable contributions of my predecessors.

The history of the protective duties alone has been taken up in these pages. That of the non-protective duties is in many ways interesting and instructive; but I have spoken of them only in so far as they throw light on the main subject. The abolition of the tea and coffee duties has been discussed at some length, because these are by far the most important of the non-protective class, and because their removal illustrates very clearly the process by which the protective duties have been maintained. The sugar duties have not been considered at all; for, though they operate as protection for the sugar planters of Louisiana, the domestic production is so small, in comparison with the imports, that the duty must be considered, on the whole, as belonging to the non-protective class. It certainly stands on a different footing from the mass of the protective duties, and presents, in the main, a different set of problems for solution.

Although this volume, as I have said, is meant mainly

to give an account of obvious facts, in regard to which there can be no difference of opinion, it is inevitable that it should also touch on the disputed points in the protection controversy. While I have studiously tried to prevent my opinions from distorting in any way the narrative, I have not thought it necessary to conceal them. My point of view has been that of one who considers the principle of protection to be radically unsound. It would be going too far to say that every argument advanced in favor of protection is quite untenable. But the reasoning on which the general principle of free trade is based seems to me unanswerable; and for the United States the greatest practicable application of this principle is, I cannot but be convinced, the best policy. Within what limits the greatest practicable application lies, need not here be discussed. It is certain that, in the present economic condition of the country and the present temper of the public, some degree of reform will take place in the not distant future,—a reform of which, I hope, the reasonableness will be made somewhat more plain by these pages.

F. W. TAUSSIG.

CAMBRIDGE, MASS., Oct., 1884.

AUTHORITIES.

Public Documents.

The *Congressional Record* and the public documents have been cited in the text, for convenience, by date, and not, according to the usual method, by Congress and Session; *e. g.*, *Congressional Record*, 1869-70, instead of *Congressional Record*, 41st Congress, 2d Session.

The more important public documents bearing on recent tariff history are :

Special Report on the Statistics of Customs-Tariff Legislation, with tables showing the rates of duty on each article from 1789 to 1870. House Exec. Doc., 42d Congr., 2d Session (1871-72), vol. ix., No. 109, generally cited as "Young's Report."

Compilation on the tariff: Senate Documents, Report No. 12, 48th Congress, 1st Session (1883-84); includes in its tables the rates of duty from 1789 to 1883, and many useful statistics.

Imports and Duties from 1867 to 1883, giving the imports of each article in each year, and the duties collected. House Misc. Doc., 48th Congress, 1st Session (1883-84), No. 49.

Report of the United States Revenue Commission (Messrs. David A. Wells, Stephen Colwell, and S. S. Hayes). House Exec. Doc., 39th Congress, 1st Session (1865-66), vol. vii., No. 34.

Mr. Wells's four reports as Special Commissioner of the Revenue—namely :

First Report, Senate Doc., 39th Congress, 2d Session (1866-67), vol. i., No. 2.

Second Report, House Exec. Doc., 40th Congress, 2d Session (1867-68), vol. ix., No. 81.

Third Report, House Exec. Doc., 40th Congress, 3d Session (1868-69), vol. vii., No. 16.

Fourth Report, House Exec. Doc., 41st Congress, 2d Session (1869-70), vol. v., No. 27.

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Mineral Resources of the United States, published by the U. S. Geological Survey, under the charge of Albert Williams, Jr. Washington: Government Printing Office, 1883.

Statistical Abstract of the United States, published annually since 1878.

The volume of the Census of 1880 on Manufactures: more particularly the special reports on iron, wool and woollens, silks, and cottons.

The annual reports of the Secretary of the Treasury, of the Commissioner of Internal Revenue, and of the Comptroller of the Currency supply much information bearing on tariff history.

Other Material.

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Protective Duties. By Edward Harris. Woonsocket, 1871.

Wool and the Tariff. By D. A. Wells. A letter printed in the *N. Y. Tribune*, March 20, 1873. Also published as a pamphlet.

Annual reports of the American Iron and Steel Association. By James M. Swank, Secretary. Published annually since 1871. The report for 1876 contains a history of the iron trade.

The Tariff on Iron and Steel Justified by its Results. By James M. Swank. Philadelphia, 1882. (Published by the American Iron and Steel Association.)

Reports of the Silk Association of America. By W. C. Wyckoff, Secretary. Published annually since 1873.

The Silk Goods of America. By W. C. Wyckoff. New York, 1880.

The Recent Financial, Industrial, and Commercial Experiences of the United States. By David A. Wells. Printed in Cobden Club Essays,

Second series. London, 1872. Also published separately, New York, 1872.

Lectures on the History of Protection. By W. G. Sumner. New York, 1877.

Elements of Political Economy. By A. L. Perry. Chapter XV. is on tariff history.

The Destructive Influence of the Tariff on Commerce and Manufactures. By J. Schoenhof. New York, 1884.

Our Unjust Tariff Law. By H. L. Nelson. Boston, 1884.

It is needless to say that this list does not exhaust the literature of the contemporary protective controversy ; but it states the more important publications on the history of recent tariff legislation.

THE HISTORY OF THE EXISTING TARIFF.

CHAPTER I.

THE WAR TARIFF.

EVERY one has heard of our "war tariff" and of our "war taxes." Every one knows that our tariff is connected in some way with the series of extraordinary financial measures which the Rebellion called out. But few have any exact knowledge of the extent to which our extreme protective system is due to the war. An account of the way in which the tariff was put into its present shape will show how the exigencies of the Civil War caused duties to be greatly increased; how these high duties were retained and even increased in an unexpected and indefensible way; and how the tariff, as it now stands, is still, in the main, a product of war legislation. A history of the existing tariff is simply a history of the way in which the war duties were retained, increased, and systematized, and of the half-hearted and unsuccessful attempts at reduction and reform which have been made from time to time.

Before the war we had a tariff of duties which, though
The tariff not arranged completely or consistently on the
before the principles of free trade, was yet very moderate
war. in comparison with the existing system. For
about fifteen years before the Rebellion began, duties
on imports were fixed by the acts of 1846 and 1857.
The act of 1846 had been passed by the Democratic
party with the avowed intention of putting into oper-
ation, as far as was possible, the principles of free
trade. This intention, it is true, was by no means car-
ried out consistently. Purely revenue articles, like tea
and coffee, were admitted free of duty; and on the other
hand, articles like iron and manufactures of iron, cotton
goods, wool, and woollen goods, —in fact most of the im-
portant articles with which the protective controversy has
been concerned,—were charged with a duty of thirty per
cent. Other articles again, like steel, copper, lead, were
admitted at a lower duty than this, not for any reasons of
revenue, but because they were not then produced to any
extent within the country, and because protection for
them in consequence was not asked. Protection was by
no means absent from the act of 1846; and the rate of
thirty per cent., which it imposed on the leading articles,
would be supposed, in almost any civilized country, to
give even a high degree of protection. Nevertheless, the
tariff of 1846 was, in comparison with the present tariff, a
moderate measure; and a return to its rates would now
be considered a great step of reform by those who are op-

posed to protective duties. The act of 1857 took away still more from the restrictive character of our tariff legislation. Congress, it may be remarked, acted in 1857 with reasonable soberness and impartiality, and without being influenced by political considerations. The maximum protective duty was reduced to twenty-four per cent.; many raw materials were admitted free; and the level of duties on the whole line of manufactured articles was brought down to the lowest point which has been reached in this country since 1815. It is not likely we shall see, for a great many years to come, a nearer approach to the free-trade ideal.

The country accepted the tariff acts of 1846 and 1857, and was satisfied with them. Except in the years immediately following the passage of the former act, when there was some attempt to induce a return to a more rigid protective system, agitation on the tariff ceased almost entirely. There is no doubt that the period from 1846 to 1860 was a time of great material prosperity, interrupted, but not checked, by the crisis of 1857. It would be going too far to assert that this general prosperity was due chiefly to the liberal character of the tariff. Other causes exercised a great and perhaps a predominant influence. But the moderate tariff undoubtedly was one of the elements that contributed to the general welfare. It may be well to add that prosperity was not confined to any part of the country, or to any branches of industry. Manufactures in general continued to flourish; and the

reduction of duties which was made in 1857 had the consent and approbation of the main body of the manufacturing class.

The crisis of 1857 had caused a falling off in the revenue from duties. This was made the occasion for a reaction from the liberal policy of 1846 and 1857. In 1861 the Morrill tariff act began a change toward a higher range of duties and a stronger application of protection. The Morrill act is often spoken of as if it were the basis of the present protective system. But this is by no means the case. The tariff act of 1861 was passed by the House of Representatives in the session of 1859-60, the session preceding the election of President Lincoln. It was passed, undoubtedly, with the intention of attracting to the Republican party, at the approaching Presidential election, votes in Pennsylvania and other States that had protectionist leanings. In the Senate the tariff bill was not taken up in the same session in which it was passed in the House. Its consideration was postponed, and it was not until the next session—that of 1860-61—that it received the assent of the Senate and became law. It is clear that the Morrill tariff was carried in the House before any serious expectation of war was entertained; and it was accepted by the Senate in the session of 1861 without material change. It therefore forms no part of the financial legislation of the war, which gave rise in time to a series of measures that entirely superseded the Morrill

tariff. Indeed, Mr. Morrill and the other supporters of the act of 1861 declared that their intention was simply to restore the rates of 1846. The important change which they proposed to make from the provisions of the tariff of 1846 was to substitute specific for *ad-valorem* duties. Such a change from *ad-valorem* to specific duties is in itself by no means objectionable; but it has usually been made a pretext on the part of protectionists for a considerable increase in the actual duties paid. When protectionists make a change of this kind, they almost invariably make the specific duties higher than the *ad-valorem* duties for which they are supposed to be an equivalent,—a circumstance which has given rise to the common notion, of course unfounded, that there is some essential connection between free trade and *ad-valorem* duties on the one hand, and between protection and specific duties on the other hand. The Morrill tariff formed no exception to the usual course of things in this respect. The specific duties which it established were in many cases considerably above the *ad-valorem* duties of 1846. The most important direct changes made by the act of 1861 were in the increased duties on iron and on wool, by which it was hoped to attach to the Republican party Pennsylvania and some of the Western States. Most of the manufacturing States at this time still stood aloof from the movement toward higher rates.¹

¹ Mr. Rice, of Massachusetts, said in 1860: "The manufacturer asks no additional protection. He has learned, among other things, that the great-

Hardly had the Morrill tariff act been passed when Fort Sumter was fired on. The Civil War began. The need of additional revenue for carrying on the great struggle was immediately felt; and as early as the extra session of the summer of 1861, additional customs duties were imposed. In the next regular session, in December, 1861, a still further increase of duties was made. From that time till 1865 no session, indeed, hardly a month of any session, passed in which some increase of duties on imports was not made. During the four years of the war every resource was strained for carrying on the great struggle. Probably no country has seen, in so short a time, so extraordinary a mass of financial legislation. A huge national debt was accumulated; the mischievous expedient of an inconvertible paper currency was resorted to; a national banking system unexpectedly arose from the confusion; an enormous system of internal taxation was created; the duties on imports were vastly increased and extended. We are concerned here only with the change in the tariff; yet it must be borne in mind that

est evil, next to a ruinous competition from foreign sources, is an excessive protection, which stimulates a like ruinous and irresponsible competition at home,"—*Congr. Globe*, 1859-60, p. 1807. Mr. Sherman said: "When Mr. Stanton says the manufacturers are urging and pressing this bill, he says what he must certainly know is not correct. The manufacturers have asked over and over again to be let alone. The tariff of 1857 is the manufacturers' bill; but the present bill is more beneficial to the agricultural interest than the tariff of 1857." *Ibid.*, p. 2053. C. C. Hunter's Speech, *Ibid.*, p. 3010. In later years Mr. Morrill himself said that the tariff of 1861 "was not asked for, and but coldly welcomed, by manufacturers, who always and justly fear instability." *Congr. Globe*, 1869-70, p. 3295.

these changes were only a part of the great financial measures which the war called out. Indeed, it is impossible to understand the meaning of the changes which were made in the tariff without a knowledge of the other legislation that accompanied it, and more especially of the extended system of internal taxation which was adopted at the same time. To go through the various acts for levying internal taxes and imposing duties on imports is not necessary in order to make clear the character and bearing of the legislation of the war. It will be enough to describe those that are typical and important. The great acts of 1862 and 1864 are typical of the whole course of the war measures; and the latter is of particular importance, because it became the foundation of the existing tariff system.

It was not until 1862 that the country began to appreciate how great must be the efforts necessary to suppress the Rebellion, and that Congress set to work in earnest to provide the means for that purpose. Even in 1862 Congress relied more on selling bonds and on issuing paper-money than on immediate taxation. But Tax and two vigorous measures were resorted to for tariff acts of taxing the people immediately and directly. 1862.

The first of these was the internal revenue act of July 1, 1862. This established a comprehensive system of excise taxation. Specific taxes were imposed on the production of iron and steel, coal-oil, paper, leather, and other articles. A general *ad-valorem* tax was

imposed on other manufactures. In addition, licenses were required in many callings. A general income tax was imposed. Railroad companies, steamboats, express companies were made to pay taxes on their gross receipts. Those who have grown to manhood within the last fifteen years find it difficult to imagine the existence and to appreciate the burden of this heavy and vexatious mass of taxation; for it was entirely swept away within a few years after the end of the war.

The second great measure of taxation to which Congress turned at this time was the tariff act of July 14, 1862. The object of this act, as was stated by Messrs. Morrill and Stevens, who had charge of its passage in the House, was primarily to increase duties only to such an extent as might be necessary in order to offset the internal taxes of the act of July 1st.¹ But although this was the chief object of the act, protective intentions were entertained by those who framed it, and were carried out. Both Messrs. Morrill and Stevens were avowed protectionists, and did not conceal that they meant in many cases to help the home producer. The increase of duties on articles which were made in this country was therefore,

¹ Mr. Morrill said, in his speech introducing the tariff bill: "It will be indispensable for us to revise the tariff on foreign imports, so far as it may be seriously disturbed by any internal duties, and to make proper reparation. * * * If we bleed manufacturers, we must see to it that the proper tonic is administered at the same time."—*Congr. Globe*, 1861-62, p. 1196. Similarly Mr. Stevens said: "We intended to impose an additional duty on imports equal to the tax which had been put on the domestic articles. It was done by way of compensation to domestic manufacturers against foreign importers."—*Ibid.*, p. 2979.

in all cases, at least sufficient to afford the domestic producers compensation for the internal taxes which they had to pay. In many cases it was more than sufficient for this purpose, and brought about a distinct increase of protection. Had not the internal revenue act been passed, affording a good reason for some increase of duties; had not the higher taxation of purely revenue articles, like tea and coffee, been a justifiable and necessary expedient for increasing the government income; had not the increase even of protective duties been quite defensible as a temporary means for the same end; had not the general feeling been in favor of vigorous measures for raising the revenue;—had these conditions not existed, it would have been very difficult to carry through Congress a measure like the tariff of 1862. But, as matters stood, the tariff was easily passed. Under cover of the need of revenue and of the intention to prevent domestic producers from being unfairly handicapped by the internal taxes, a clear increase of protection was in many cases brought about.

The war went on; still more revenue was needed. Gradually Congress became convinced of the necessity of resorting to still heavier taxation, and of the willingness of the country to pay all that was necessary to maintain the Union. Passing over less important acts, we have to consider the great measure that was the climax of the financial legislation of the war. The three revenue acts of June 30, 1864, practically form one measure, and that probably the greatest measure of taxation which the

world has seen. The first of the acts provided for an enormous extension of the internal-tax system; the second for a corresponding increase of the duties on imports; the third authorized a loan of \$400,000,000.

The internal revenue act was arranged, as Mr. David A. Wells has said, on the principle of the Internal revenue act, Irishman at Donnybrook fair; "Whenever you
1864. see a head, hit it; whenever you see a commodity, tax it." Every thing was taxed, and taxed heavily. Every ton of pig-iron produced was charged two dollars; every ton of railroad iron three dollars; sugar paid two cents a pound; salt, six cents a hundred-weight. The general tax on all manufactures produced was five per cent. But this tax was repeated on almost every article in different stages of production. Raw cotton, for instance, was taxed two cents a pound; as cloth, it again paid five per cent. Mr. Wells estimates that the government in fact collected between eight and fifteen per cent. on every finished product. Taxes on the gross receipts of railroad, steamboat, telegraph, express, and insurance companies were levied, or were increased where already in existence. The license-tax system was extended to almost every conceivable branch of trade. The income tax was raised to five per cent. on moderate incomes, and to ten per cent. on incomes of more than \$10,000.

Tariff act of 1864. The tariff act of 1864, passed at the same time with the internal revenue act, also brought about a great increase in the rates of taxation. Like the tariff act

of 1862, that of 1864 was introduced, explained, amended, and passed under the management of Mr. Morrill, who was Chairman of the Committee on Ways and Means. That gentleman again stated, as he had done in 1862, that the passage of the tariff act was rendered necessary in order to put domestic producers in the same situation, so far as foreign competition was concerned, as if the internal taxes had not been raised. This was one great object of the new tariff; and it may have been a good reason for bringing forward some measure of the kind. But it explains only in part the measure which in fact was proposed and passed. The tariff of 1864 was a characteristic result of that veritable furor of taxation which had become fixed in the minds of the men who were then managing the national finances. Mr. Morrill, and those who with him made our revenue laws, seem to have had but one principle: to tax every possible article indiscriminately, and to tax it at the highest rates that any one had the courage to suggest. They carried this method out to its fullest extent in the tariff act of 1864, as well as in the tax act of that year. At the same time these statesmen were protectionists, and did not attempt to conceal their protectionist leanings. What between their willingness to make every tax and duty as high as possible for the sake of raising revenue, and their belief that high import duties were beneficial to the country, the protectionists had an opportunity such as the country has never before given them. It would be unfair to say that Mr. Morrill, Mr.

Stevens, and the other gentlemen who shaped the revenue laws, consciously used the urgent need of money for the war as a means of carrying out their protectionist theories, or of promoting, through high duties, private ends for themselves or others. But it is certain that their method of treating the revenue problems resulted in a most unexpected and extravagant application of protection, and moreover, made possible a subservience of the public needs to the private gains of individuals such as unfortunately made its appearance in many other branches of the war administration. Every domestic producer who came before Congress got what he wanted in the way of duties. Protection ran riot; and this, moreover, not merely for the time being. The whole tone of the public mind toward the question of import duties became distorted. Not only during the war, but for several years after it, all feeling of opposition to high import duties almost entirely disappeared. The habit of putting on as high rates as any one asked had become so strong that it could hardly be shaken off; and even after the war, almost any increase of duties demanded by domestic producers was readily made. The war had in many ways a bracing and ennobling influence on our national life; but its immediate effect on business affairs, and on all legislation affecting moneyed interests, was demoralizing. The line between public duty and private interests was often lost sight of by legislators. Great fortunes were made by changes in legislation urged and brought about by those who were

benefited by them ; and the country has seen with sorrow that the honor and honesty of public men did not remain undefiled. The tariff, like other legislation on matters of finance, was affected by these causes. Schemes for money-making were incorporated in it, and were hardly questioned by Congress. When more enlightened and unselfish views began to make their way, and protests were made against the abuses and excessive duties of the war period, these had obtained, as we shall see, too strong a hold to be easily shaken off.

Such were the conditions under which the tariff act of 1864 was passed. As in 1862, three causes were at work : in the first place, the urgent need of revenue for the war ; in the next, the wish to offset the internal taxes imposed on domestic producers ; and finally, the protectionist leanings of those who managed our financial legislation. These causes made possible a tariff act which in ordinary times would have been summarily rejected. It raised duties greatly and indiscriminately,—so much so, that the average rate on dutiable commodities, which had been 37.2 per cent. under the act of 1862, became 47.06 per cent. under that of 1864. It was in many ways crude and ill-considered ; it established protective duties more extreme than had been ventured on in any previous tariff act in our country's history ; it contained flagrant abuses, in the shape of duties whose chief effect was to bring money into the pockets of private individuals.

Nothing more clearly illustrates the character of this

piece of legislation, and the circumstances which made its enactment a possibility, than the public history of its passage through Congress. The bill was introduced into the House on June 2d by Mr. Morrill. General debate on it was stopped after one day. The House then proceeded to the consideration of amendments. Almost without exception amendments offered by Mr. Morrill were adopted, and all others were rejected. After two days had been given in this way to the amendments, the House, on June 4th, passed the bill. In the Senate much the same course was followed. The consideration of the bill began on June 16th; it was passed on the following day. That is to say, five days in all were given by the two houses to this act, which was in its effects one of the most important financial measures ever passed in the United States. The bill was accepted as it came from the Committee on Ways and Means, and was passed practically without debate or examination. No pretence could be made of any detailed or effective criticism by Congress.

The necessity of the situation, the critical state of the country, the urgent need of revenue, may have justified this haste, which, it is safe to say, is unexampled in the

history of civilized countries. But surely there can be no excuse for making a measure passed in this manner and under these circumstances the foundation of the permanent economic policy of an enlightened people. And yet this has been the case, and it is the central point in the his-

tory of tariff legislation of the last twenty-five years. The tariff act of 1864 is the basis of the existing system of import duties. Great changes have indeed been made since the war, as will be seen in the following chapters. But on almost all the articles with which the protective controversy is concerned, rates are still those of the tariff act of 1864. This is said without taking into account the last tariff act, that of 1883; and it will be seen at a subsequent point that the changes made by the act of 1883 were not of sufficient importance to affect the substantial correctness of the general statement. In regard to the duties as they stood before 1883, it is literally true, in regard to almost all protected articles, that the tariff act of 1864 remained in force for twenty years without reductions. Any one who will glance over the margin of those sections of the Revised Statutes of the United States which refer to the tariff, can see how large a proportion of the rates there enumerated date from the year 1864; and if he notes the occasional protective duties set down in the Revised Statutes as having been fixed by acts passed later than 1864, he will find that these almost invariably show, not a reduction, but an increase over the rates of the war tariff.¹ ?

¹ In Heyl's "Import Duties" the reader will find the act of 1864 printed in full, those parts which are no longer in force being distinguished by small type, and he will be surprised to find (in any edition before 1883, how few sections of the act are set down as obsolete. See, *e. g.*, edition of 1879, pp. 57-73.

It should be said that the act of 1864 was not in form a general act, repealing all previous enactments. It left in force, for instance, all pro-

*... had given me
... that ...*

How this maintenance of the war duties came about, will be the subject of the following chapters.

visions of the Morrill act of 1861 and of the tariff act of 1862 which were not expressly changed by it. But it affected so completely and with so few exceptions the whole range of import duties, and especially the protective duties, that it was practically a new general tariff.

CHAPTER II.

THE FAILURE TO REDUCE THE TARIFF AFTER THE WAR.

WHEN the war closed, the revenue acts which had been hastily passed during its course constituted a chaotic mass. Congress and the Secretary of the Treasury immediately set to work to bring some order into this chaos, by funding and consolidating the debt, by contracting the paper currency, and by reforming and reducing the internal taxes.¹ The years between 1865 and 1870 are full of discussions and enactments on taxation and finance. On some parts of the financial system, in regard to which there was little disagreement, action was prompt and salutary. The complicated mass of internal taxes was felt to be an evil by all. It bore heavily and vexatiously on the people; and Congress proceeded to sweep it away with all possible speed. As soon as the immense floating debt had been funded, and the extent of the

¹ Those who wish to get some knowledge of the confused character of the financial legislation called out by the war, are referred to Mr. David A. Wells's excellent essay on "The Recent Financial Experiences of the United States" (1872). Those who wish to study more in detail the course of events after the war should read Mr. Wells's reports as Commissioner of the Revenue, of 1867, 1868, 1869, and 1870.

annual needs of the government became somewhat clear, Congress set to work at repealing and modifying the excise laws. It is not necessary to enumerate the various steps by which the internal-tax system was modified. Year after year acts for reducing and abolishing internal taxes were passed. By 1872 all those which had any connection with the subject of our investigation—the protective duties—had disappeared.¹ The taxes on spirits and beer, those on banks, and a few comparatively unimportant taxes on matches, patent medicines, and other articles were retained. But all those taxes which bore heavily on the productive resources of the country—those taxes in compensation for which higher duties had been imposed in 1862 and 1864—were entirely abolished.

Step by step with this removal of the internal taxes, a reduction of import duties should have taken place; at the least, a reduction which would have taken off those additional duties that had been put on in order to offset the internal taxes. This, however, Congress hesitated to undertake. We have seen in the preceding chapter that the opportunity given by the war system of taxation was seized by the protectionists in order to carry out their wishes. It would not be easy to say whether at the time the public men who carried out this legislation meant the new system of import duties to be permanent. Certainly the war methods of finance as a whole were not meant to

¹The most important acts for reducing the internal taxes were those of July 11, 1866; March 2, 1867; March 31, 1868; July 14, 1870; June 6, 1872.

remain in force for an unlimited time. Some parts of the tariff were beyond doubt intended to be merely temporary ; and the reasonable expectation was that the protective duties would sooner or later be overhauled and reduced. Had the question been directly put to almost any public man, whether the tariff system of the war was to be continued, the answer would certainly have been in the negative,—that in due time the import duties were to be lowered.¹ During the years of confusion immediately after the war little was attempted ; but soon a disposition to affect some reform in the incongruous mass of duties began to be shown. Each year schemes for reduction and reform were brought forward. Commissions were appointed, bills were elaborated and considered ; but the reform was put off from year to year. The pressure from the interested domestic producers was strong ; the power of the lobby was great ; the overshadowing problem of reconstruction absorbed the energies of Congress. Gradu-

¹ As late as 1870, Mr. Morrill said : “ For revenue purposes, and not solely for protection, fifty per cent. in many instances has been added to the tariff [during the war] to enable our home trade to bear the new but indispensable burdens of internal taxation. Already we have relinquished most of such taxes. So far, then, as protection is concerned * * * we might safely remit a percentage of the tariff on a considerable share of our foreign importations. * * * *It is a mistake of the friends of a sound tariff to insist on the extreme rates imposed during the war*, if less will raise the necessary revenue. * * * Whatever percentage of duties was imposed on foreign goods to cover internal taxation on home manufactures, should not now be claimed as the lawful prize of protection, when such taxes have been repealed. There is no longer an equivalent.”—*Congress. Globe*, 1869-70, p. 3295. These passages occur at the end of a long speech in favor of the principle of protection.

ally, as the organization of industry in the country adapted itself more closely to the tariff as it was, the feeling that no reform was needed obtained a strong hold. Many industries had grown up, or had been greatly extended, under the influence of the war legislation. As that legislation continued unchanged, still more capital was embarked in establishments whose existence or prosperity was in some degree dependent on its maintenance. All who were connected with establishments of this kind asserted that they would be ruined by any change. The business world in general tends to be favorable to the maintenance of things as they are. The country at large, and especially those parts of it in which the protected industries were concentrated, began to look on the existing state of things as permanent. The extreme protective system, which had been at the first a temporary expedient for aiding in the struggle for the Union, adopted hastily and without any thought of deliberation, gradually became accepted as a permanent institution. From this it was a short step, in order to explain and justify the existing state of things, to set up high protection as a theory and a dogma. The restraint of trade with foreign countries, by means of import duties of forty, fifty, sixty, even a hundred per cent., came to be advocated as a good thing in itself by many who, under normal circumstances, would have thought such a policy preposterous. Ideas of this kind were no longer the exploded errors of a small school of economists; they became the foundation of the policy

of a great people. Then the mass of restrictive legislation which had been hurriedly piled up during the war, was strengthened and completed, and made into a firm and consistent edifice. On purely revenue articles, such as are not produced at all in the country, the duties were almost entirely abolished. A few raw materials, it is true, were admitted at low rates, or entirely free of duty. But these were exceptions, made apparently by accident. As a rule, the duties on articles produced in the country, that is, the protective duties, were retained at the war figures, or raised above them. The result was that the tariff gradually became exclusively and distinctly a protective measure; it included almost all the protective duties put on during the war, added many more to them, and no longer contained the purely revenue duties of the war.

We turn now to a somewhat more detailed account of the process by which the reform of the tariff was prevented. To give a complete account of the various tariff acts which were passed, or of the tariff bills which were pressed without success, is needless. Every session of Congress had its array of tariff acts and tariff bills; and we may content ourselves with an account of those which are typical of the general course of events. Of the attempts at reform which were made in the years immediately after the war, the fate of the tariff bills of 1867 is characteristic. Two proposals were then before Congress: one a bill passed by the House at the previous session; the other a bill

Unsuccessful
tariff bill
of 1867.

prepared by Mr. David A. Wells, then Special Commissioner of the Revenue, and heartily approved by Secretary McCulloch. The great rise in prices and in money wages in these years, and the industrial embarrassment which followed the war, had caused a demand for still higher import duties; the House bill had been framed to answer this demand, and proposed a general increase. Mr. Wells recommended a different policy. He had not then become convinced of the truth of the principles of free trade; but he had clearly seen that the indiscriminate protection which the war tariff gave, and which the House bill proposed to augment, could not be beneficial. His bill reduced duties on raw materials, such as scrap-iron, coal, lumber, hemp, and flax; and it either maintained without change or slightly lowered the duties on most manufactured articles. A careful rearrangement was at the same time made in the rates on spices, chemicals, dyes, and dye-woods,—articles of which a careful and detailed examination is necessary for the determination of duties, and in regard to which the tariff contained then, as it does now, much that was arbitrary and indefensible. Mr. Wells's bill, making these reforms, gained the day over the less liberal House bill. It was passed by the Senate, as an amendment to the House bill, by a large majority (27 to 10). In the House there was also a majority in its favor; but unfortunately a two-thirds majority was necessary in order to suspend the rules and bring it before the House. The vote was 106 to 64 in favor of

the bill; the two-thirds majority was not obtained, and it failed to become law. The result was not only that no general tariff bill was passed at this session, but the course of tariff reform for the future received a regrettable check. Had Mr. Wells's proposals been enacted, it is not unlikely that the events of the next few years would have been very different from what in fact they were. It would be too much to say that these proposals looked forward to still further steps in the way of moderating the protective system, or that their favorable reception showed any distinct tendency against protection. There was at that time no free-trade feeling at all, and Mr. Wells's bill was simply a reform measure from the protectionist point of view. But the vote on it is nevertheless significant of the fact that the extreme and uncompromising protective spirit was not then all-powerful. The bill, it is true, had been modified in a protectionist direction in various ways before it came to be voted on; but the essential reductions and reforms were still contained in it and the votes show that the protectionist feeling was far from being solidified at that time to the extent that it came to be a few years later. Had the bill of 1867 been passed, the character of recent tariff legislation might have been very different. A beginning would have been made in looking at the tariff from a sober point of view, and in reducing duties that were clearly pernicious. The growing habit of looking on the war rates as a permanent system might have been checked, and the attempts at tariff reform in subse-

quent years would probably have found stronger support and met with less successful opposition. From this time till the tariff act of 1883 was passed, there was no general tariff bill which had so good a chance of being passed. The failure of the attempt of 1867 encouraged the protectionists in fighting for the retention of the war duties wherever they could not secure an increase over and above them; and in this contest they were, with few exceptions, successful.¹

Of the legislation that was in fact carried out, the act of Act of 1870. 1870 is a fair example. It was passed in compliance with the demand for a reduction of taxes and for tariff reform, which was at that time especially strong in the West, and was there made alike by Republicans and Democrats.² The declared intention of those who framed it and

¹ Mr. Wells's bill and the rates proposed in the House bill may be found in his report for 1866-67, pp. 235-290. The principle of "enlightened protection" on which he proceeded is stated on p. 34. At this time Mr. Wells was still a protectionist; it was not until he prepared his report for 1868-69 that he showed himself fully convinced of the unsoundness of the theory of protection. His able investigations and the matter-of-fact tone of all of his reports gave much weight to his change of opinion, and caused it to strengthen greatly the public feeling in favor of tariff reform.

² President Garfield (then Representative) said in 1870: "After studying the whole subject as carefully as I am able, I am firmly of the opinion that the wisest thing that the protectionists in this House can do is to unite on a moderate reduction of duties on imported articles. * * * If I do not misunderstand the signs of the times, unless we do this ourselves, prudently and wisely, we shall before long be compelled to submit to a violent reduction, made rudely and without discrimination, which will shock, if not shatter, all our protected industries."—Young's Report, p. clxxii. It is worthy of remark that Mr. Garfield had also supported earnestly the unsuccessful bill of 1867. He had appealed to his party to vote so as to make up the two-thirds majority necessary for its consideration, telling them that later

had charge of it in Congress was to reduce taxation. But the reductions made by it were, almost without exception, on purely revenue articles. The duties on tea, coffee, wines, sugar, molasses, and spices were lowered. Other articles of the same kind were put on the free list. The only noteworthy reduction in the protective parts of the tariff was in the duty on pig-iron, which went down from \$9.00 to \$7.00 a ton. On the other hand, a very considerable increase of duties was made on a number of protected articles—on steel rails, on marble, on nickel, and on other articles.¹ We shall have occasion to refer to some of these indefensible exactions in another connection.² At present we are concerned only with the reductions of duty which were carried out. Among the protective duties the lowering of that on pig-iron was the only one of importance. This change, indeed, might well have been made at an earlier date, for the internal tax of \$2.00 on pig-iron (in compensation for which the tariff rate had been raised to \$9.00 in 1864) had been taken off as early as 1866.³

The only effort to reform the protective parts of the tariff which had any degree of success, was made in

they might "make up their record" by voting against it.—*Congr. Globe*, 1866-67, pp. 1657, 1658.

¹ An increase in the duties on bar-iron was also proposed in the bill as reported by the Committee on Ways and Means; but this, fortunately, was more than could be carried through. See the speeches of Messrs. Brooks (*Congr. Globe*, 1869-70, part 7, appendix, pp. 163-167) and Allison (*ibid.*, p. 192 *et seq.*), which protest against the sham reductions of the bill.

² See chapter iii.

³ See the list of reductions made by the act of 1870 in Young's Report, p. clxxvii.

1872. The tactics of the protectionists in that year illustrate strikingly the manner in which attempts at tariff reform have been frustrated; and the history of the attempt is, from this point of view, so instructive that it may be told somewhat in detail. The situation in 1872 was in many ways favorable for tariff reform. The idea of tax and tariff reform was familiar to the people at large. It was not as yet openly pretended that the protective duties were to remain indefinitely as they had been fixed in the war. The act of 1870 had made a concession by the reduction on pig-iron; further changes of the same kind were expected to follow. Moreover, the feeling in favor of tariff reform was in all these years particularly strong in the West. So strong was it that, as has already been noted, it overrode party differences, and made almost all the Western Congressmen, whether Democrats or Republicans, act in favor of reductions in the tariff. The cause of this state of things is to be found in the economic condition of the country from the end of the war till after the panic of 1873. The prices of manufactured goods were then high, and imports were large. On the other hand, exports were comparatively small and the prices of grain and provisions low. The agricultural population was far from prosperous. The granger movement, and the agitation against the railroads, were one result of the depressed condition of the farmers. Another result was the strong feeling against the tariff, which the farmers

rightly believed to be among the causes of the state of things under which they were suffering.¹ Their representatives in Congress were therefore compelled to take a stand in favor of lowering the protective duties. The Western members being nearly all agreed on this subject, Congress contained a clear majority in favor of a reform in the tariff. Party lines at that time had little influence on the protective controversy, and, although both houses were strongly Republican, a strong disposition showed itself in both in favor of measures for lowering the protective duties.

Added to all this, the state of the finances demanded immediate attention. The redundant revenue, which has forced Congress in the last two or three years to pay attention to the question of tariff reform, had the same influence in 1872. In each of the fiscal years, 1870-71 and 1871-72, the surplus revenue, after paying all appropriations and all interest on the public debt, amounted to about \$100,000,000, a sum greatly in excess of any requirements of the sinking fund. The government was buying bonds in the open market in order to dispose of the money that was flowing into the treasury vaults.²

¹ No satisfactory investigation of the period preceding the crisis of 1873 has yet been made. Of the fact that the situation was especially depressing for the agricultural parts of the country, there can be no doubt. The speculative mania and the fictitious prosperity of those years were felt most strikingly in manufactures and railroad building; exactly why so little effect of this appeared in agriculture has never been clearly explained. The whole period will repay careful economic study.

² On account of the low premium on bonds and the high premium on gold,

This being the state of affairs, the Committee on Ways and Means introduced into the House a bill which took decided steps in the direction of tariff reform. Mr. Dawes, of Massachusetts, the chairman of the committee, was opposed to the recommendations of the majority of its members, and therefore left the explanation and management of the bill to Mr. Finkelnburg, of Missouri. That gentleman explained that the committee's measure was intended merely to "divest some industries of the superabundant protection which smells of monopoly, and which it was never intended they should enjoy after the war."¹ The bill lopped off something from the protective duties in almost all directions. Pig-iron was to be charged \$6.00 instead of \$7.00 a ton. The duties on wool and woollens, and those on cottons, were to be reduced by about twenty per cent. Coal, salt, and lumber were subjected to lower duties. Tea and coffee were also to pay less; but the duties on them were not entirely abolished,—a circumstance which it is important to note in connection with subsequent events. The bill still left an ample measure of protection subsisting; but it was clearly intended to bring about an appreciable and permanent reduction of the war duties.

This bill was introduced into the House in April. Before that time another bill had been introduced in the

it was cheaper for the government at that time to buy bonds in the open market than to redeem them at par.

¹ See Mr. Finkelnburg's speech, *Congr. Globe*, 1871-72, pp. 2826-2829.

Senate, by the committee of that body on finance, which also lowered duties, but by no means in so incisive a manner as the House bill. The Senate bill simply proposed to reduce all the protective duties by ten per cent. When the ten per cent. reduction was first suggested, it was strongly opposed by the protected interests, whose representatives, it is hardly necessary to say, were present in full force. They were unwilling to yield even so small a diminution. When, however, the House bill, making much more radical changes, was brought forward with the sanction of a majority of the Committee on Ways and Means, they saw that an obstinate resistance to any change might lead to dangerous results. A change of policy was accordingly determined on. Mr. John L. Hayes, who has been for many years Secretary of the Wool-Manufacturers' Association, and was President of the Tariff Commission of 1882, was at that time in Washington as agent for the wool manufacturers. Mr. Hayes has given an account of the events at Washington in 1872, from which it appears that he was chiefly instrumental in bringing about the adoption of a more far-sighted policy by the protectionists.¹ Mr. Hayes believed it to be more easy to defeat the serious movement in favor of tariff reform by making some slight concessions than by unconditional

Ten per
cent. reduc-
tion
proposed.

Policy of
the protec-
tionists.

¹ See the speech which Mr. Hayes made, shortly after the close of the session of 1872, at a meeting of the wool manufacturers in Boston; printed in the *Bulletin of the Wool Manufacturers*, vol. iii., pp. 283-290.

opposition. The woollen manufacturers were first induced to agree to this policy ; the Pennsylvania iron makers were next brought over to it ; and finally, the whole weight of the protected interests was made to bear in the same direction. As a concession to the demand for reform, the general ten per cent. reduction was to be permitted. With this, however, was to be joined a sweeping reduction of the non-protective sources of revenue: the taxes on whiskey and tobacco were to be lowered, and the tea and coffee duties were to be entirely abolished.

This plan of action was successfully carried out. An act for abolishing the duties on tea and coffee was first passed.¹ This being disposed of, the general tax and tariff bill was taken up in the House. The Senate had already indicated its willingness to act in the manner desired by the protectionists. It had passed and sent to the House a bill making the general reduction of ten per cent., and nothing remained but to get the consent of the House. But this consent was not easily obtained. A large number of representatives were in favor of a more thorough and radical reform, and wished for the passage of the bill prepared by the Ways and Means Committee. But unfortunately the reform forces were divided, and only a part of them insisted on the Ways and Means bill. The remainder were willing to accept the ten per cent. reduction, which the protectionists yielded. On the other hand,

¹ The House had already passed, at the extra session in the spring of 1871, a bill for admitting tea and coffee free of duty. This bill was now taken up and passed by the Senate.

the protectionist members were united. Messrs. Kelley and Dawes led them, and succeeded in bringing their whole force to vote in favor of the horizontal reduction. The powerful influence of the Speaker, Mr. Blaine, was also on their side. They finally succeeded in having the original committee bill set aside, and in passing the bill for the ten per cent. reduction. Most of the revenue reformers in the end voted for it, believing it to be the utmost that could be obtained. It must be observed, however, to their credit, that the "horizontal" re-^{Act of 1872.}duction of the protective duties was not the only concession to the reform feeling that was made by the act of 1872. It also contained a number of minor but significant changes of duty. The duty on salt was reduced to one half the previous rates; for the feeling against the war-duty on salt, which very clearly resulted in putting so much money into the pockets of the Syracuse and Saginaw producers, was too strong to be resisted. The duty on coal was reduced from \$1.25 to 75 cents a ton. Some raw materials, of which hides and paper stock were alone of considerable importance, were admitted free of duty. The free list was also enlarged by putting on it a number of minor articles used by manufacturers. But the important change in the protective duties was the ten per cent. reduction, which applied to all manufactures of cotton, wool, iron, steel, metals in general, paper, glass, and leather,—that is, to all the great protective industries.

It is worth while to dwell for a moment on the abolition

of the duties on tea and coffee. At the time much was said about this as an act for the benefit of the working man, to whom it was to give a "free breakfast-table." In fact, as it is hardly necessary to say, it was a distinctly protectionist measure. The loss of revenue which it caused would ordinarily have to be made good by imposing or retaining protective duties. As matters stood in 1872, it prevented at least a more complete reduction of the latter. The tea and coffee duties were among the simplest, most equable, and most productive sources of national revenue. As taxes, they were little felt by consumers. Most important to note, they yielded to the government every thing which they took out of the pockets of the tax-payers. This is their distinctive advantage over protective duties. A duty on imports, like every indirect tax, reaches the tax-payer in the shape of higher prices of the commodities which he consumes. When a duty is imposed on an article like tea or coffee, the whole increase of price to the consumer results in so much revenue to the government. But when a duty is imposed on an article like silks or linens, and results in the production (or in an increased production) of this article at home, the effect is different. Here also the commodity is increased in price to the consumer, and he is thereby taxed. So far as he uses imported articles, the increased price, as in the case of tea and coffee, is a tax paid to the government ; and as such it is not specially open to

Removal
of the tea
and coffee
duties.

objection. But when the consumer buys and uses an article of this kind which is made at home, he must pay an increased price quite as much as when he buys the imported article. The increase of price, or tax, in such a case is not paid to the government, but to the home producer. It does not flow into the national revenue, and does not serve to pay for the performance of government functions. It flows into the pockets of a private individual. The private individual does not necessarily obtain, on account of this tax, exceptional profits in the production of the dutied, *i. e.*, protected, articles. It is true that in some cases of monopoly, as we shall have occasion to see, he may permanently make high profits. But in many cases he fails to do so. It may cost more, from inherent and natural causes, to make the protected article at home than it costs to make it abroad. In this case—the most frequent—the home producer gets a higher price in consequence of the duty; but he does not make correspondingly high profits. The tax on the consumer here represents simply the greater cost, the inherent natural disadvantage, of making the commodity at home. It represents a useless diversion of national industry. A commodity is made at home which can be more cheaply bought abroad; and nobody is benefited by the tax imposed on the consumer. All this is clear and familiar to every one who has grasped the fundamental principles of political economy; but so great a mass of untrue and sophistical writing is constantly put forth on the protec-

tive controversy, that the sound elementary principles cannot be too often repeated.

For these reasons import duties, where they must be levied, should be imposed primarily on articles like tea and coffee, of which the domestic production will not be stimulated by the duties. In a government like ours, where the national revenue, by tradition and from the necessity of the case, is chiefly derived from import duties, these should be imposed primarily on non-protected commodities. At the most, it is only after such articles have yielded the revenue that they can reasonably and properly afford, that resort should be had to duties which operate for protection. But these principles have been often lost sight of in our tariff legislation.¹ In the legislation of the last twenty years they have been entirely disregarded. The removal of the tea and coffee duties is only one of a number of changes of the same kind. Step by step, in the various tariff acts which have been passed since the war, all the non-protective duties have been swept away, in order that the protective duties might be retained. Articles like cocoa, pepper, cinnamon, cloves, olives, the most natural and proper sources of revenue from import duties, have been admitted free of duty. The decisive step in this process was the tea and coffee act of 1872. There are at present none other than protective duties in our tariff. In recent years, when it has again brought in

¹ Even the tariffs of 1846 and 1857, which were supposed to be based on principles opposed to protection, admitted tea and coffee free of duty, while they imposed heavy duties on iron, cottons, woollens, etc.

an excessive revenue, those who oppose any diminution of protection advocate, as a step analogous to the abolition of the tea and coffee duties, the removal of the internal taxes on tobacco, and even of those on spirits. The object here is the same as it was in 1872,—to reduce the revenue without touching the protective parts of the tariff.

To return from this digression to the tariff act of 1872. The free-traders were on the whole satisfied with it ; they thought it a step in the right direction, and the beginning of a process of reform. The protectionists, however, believed that they had won a victory ; and, as events proved, they were right.¹

It is not within the purpose of this volume to discuss the intrinsic merits of a "horizontal reduction," such as was carried out in the act of 1872. Undoubtedly it is a simple and indiscriminating method of approaching the problem of tariff reform. The objections to it were very prominently brought forward when Mr. Morrison, during the session of 1883-84, proposed to take off ten per cent. from the duties, in exactly the same way that the tariff of 1872 had taken off ten per cent. It is certainly curious that this method, when proposed by Mr. Morrison in 1884, should be vehemently denounced by protectionists

¹ Mr. Hayes, in the speech already referred to, spoke of "the grand result of a tariff bill reducing duties fifty-three millions of dollars, and yet leaving the great industries almost intact. The present tariff (of 1872) was made by our friends, in the interest of protection." And again : "A reduction of over fifty millions of dollars, and yet taking only a shaving off from the protection duties."

as crude, vicious, unscientific, and impractical, although, when proposed by Mr. Dawes in 1872, it received their earnest support. There is, however, one objection to such a plan which was hardly mentioned in connection with Mr. Morrison's bill, but was brought out very clearly by the experience of 1872. This is, that a horizontal reduction can very easily be revoked. The reduction made in 1872 was repealed with little difficulty in 1875. After the panic of 1873, imports greatly diminished, and with them the customs revenue. No further thought of tax reduction was entertained; and soon a need of increasing the revenue was felt. In 1875 Congress, as one means to that end, repealed the ten per cent. reduction, and put duties back to where they had been before 1872.¹ The repeal attracted comparatively little attention, and was

¹ It was far from necessary, for revenue purposes, to repeal the ten per cent. clause. Mr. Dawes (who advocated in 1875 the repeal of his own measure of 1872) attempted to shew the need of raising the tariff by assuming that a fixed sum of \$17,000,000 per year was necessary for the sinking-fund,—that the faith of the government was pledged to devoting this sum to the redemption of the debt. But it was very clearly shown that the government never had carried out the sinking-fund provision in any exact way. In some years it bought for the sinking fund much less than the one per cent of the debt which was supposed to be annually redeemed; in other years (notably in 1869-73) it bought much more than this one per cent. The same policy has been followed in recent years. There can be little doubt that the need of providing for the sinking fund was used merely as an excuse for raising the duties. See Mr. Wood's remarks, *Congr. Record*, 1874-75, pp. 1187, 1188, and *cf.* Mr. Beck's speech, *ibid.*, pp. 1401, 1402.

It may be noted that in 1875 President Grant and the Secretary of the Treasury recommended, and men like Senators Sherman and Schurz supported, a re-imposition of duties on tea and coffee as the best means of increasing the customs revenues.

carried without great opposition. If a detailed examination of the tariff had been made in 1872, and if duties had been reduced in that year carefully and with discrimination, it would have been much more difficult in 1875 to put them back to the old figures. If some of the duties which are of a particularly exorbitant or burdensome character had been individually reduced in 1872, public opinion would not easily have permitted the restitution of the old rates. But the general ten per cent. reduction, which touched none of the duties in detail, was repealed without attracting public attention. The old rates were restored; and the best opportunity which the country has had for a considerable modification of the protective system, slipped by without any permanent result.

Of the attempts at reform which were made between 1875 and 1883, little need be said. Mr. Morrison in 1876, and Mr. Wood in 1878, introduced tariff bills into the House. These bills were the occasion of more or less debate; but there was at no time any probability of their being enacted.¹ In 1879 the duty on quinine was abolished entirely,—a measure most beneficial and praiseworthy in itself, but not of any considerable importance in the economic history of the country.

Of the tariff act of 1883 we do not purpose speaking in

¹ Those who are interested in the details of these measures will find the bill of 1876 explained in Mr. Morrison's speech, in *Cong. Record*, 1875-1876, p. 3321. The bill of 1878 was similarly explained by Mr. Wood, *Cong. Record*, 1877-78, p. 2398. It was at one time supposed that Mr. Wood's bill might be passed by the House; but the enacting clause was struck out, after some debate, by a vote of 137 to 114.

this connection. It will be discussed in detail in the concluding pages.

We have now completed our account of the attempts to reform the tariff which were made between the close of the Civil War and the act of last year (1883). It is clear that the duties, as they were imposed in the act of 1864, were retained substantially without change during the whole of this period. The non-protective duties were indeed swept away. A few reductions of protective duties were made in the acts of 1870 and 1872; but the great mass of duties imposed on articles which are produced in this country were not touched. It is worth while to note some of the more important classes of goods on which the duties levied in 1864 remained in force, and to compare these duties with the rates of the Morrill tariff of 1861. The increase which was the result of the war will appear most plainly from such a comparison. In the appended table¹ it will be seen that the rates on books, chinaware, and pottery, cotton goods, linen, hemp, and jute goods, glass, gloves, bar- and hoop-iron, iron rails, steel, lead, paper, and silks, were increased by from ten to thirty per cent. during the war, and that the increase then made was maintained without the slightest change till 1883. That these great changes, at the time when they were made, were not intended or expected to be permanent, cannot be denied. An example like that of the duty on cotton goods shows plainly how the duties were

¹ See table III., Appendix.

fixed during the war according to the conditions of the time, and without expectation of their remaining indefinitely in force. The duty on the cheapest grade of cotton tissues had been in 1861 fixed at one cent per yard. During the war the price of cotton rose greatly, and with it the prices of cotton goods. Consequently it is not surprising to find the duty in 1864 to be five cents per yard on this grade of cottons. But shortly after the war, raw cotton fell nearly to its former price; and it does occasion surprise to find that the duty of five cents per yard should have been retained without change till 1883, and even in the act of 1883 retained at a figure much above that of 1861. The duty on cheap cottons happens not to have been particularly burdensome, since goods of this kind are made in this country as cheaply as they can be made abroad. But the retention of the war duty on them, even after it became exorbitantly high, is typical of the way in which duties were retained on other articles on which they were burdensome. Duties which had been imposed during the war, and which had then been made very high, either for reasons of revenue or because of circumstances such as led to the heavy rate on cottons, were retained unchanged after the war ceased. It would be untrue to say that protection did not exist before the great struggle began,—the tariff of 1861, was a distinctly protectionist measure; but it is clear that the extreme protectionist character of our tariff is an indirect and unexpected result of the Civil War.

CHAPTER III.

HOW DUTIES WERE RAISED ABOVE THE WAR RATES.

IN the preceding chapter it has been shown how the duties levied during the war failed to be reduced after its close. But in many cases not only has there been a failure to diminish the war rates, but an actual increase over them. We have already noted how the maintenance of the tariff of 1864 brought about gradually a feeling that such a system was a good thing in itself, and desirable as a permanent policy. This feeling, and the fact that Congress and the public had grown accustomed to heavy taxes and high rates, enabled many measures to become law which under normal circumstances would never have been submitted to. In the present chapter we are concerned with the not infrequent instances in which, in obedience to the demands of the protected interests, duties were raised over and above the point, already high, at which they were left when the war closed. The most striking instance of legislation of this kind is to be found in the wool and woollens act of 1867; a measure which is so characteristic of the complications of our tariff, of the remarkable height to which protection has been car-

ried in it, and of the submission of Congress and the people to the demands of domestic manu- Wool and
 facturers that it deserves to be described woollen act
 in detail. Such a description is the more of 1867.
 desirable since the woollen schedule of our tariff is the
 one which imposes the heaviest and the least defensi-
 ble burdens on consumers, and at the same time is the
 most difficult of comprehension for those who have noth-
 ing but the mere language of the statute to guide them.

In order to understand the complicated system that now exists, we must go back to the Morrill tariff act of 1861. In that act specific duties on wool were substituted for the *ad-valorem* rates of 1846 and 1857. The cheaper kinds of wool, costing eighteen cents or less per pound, were still admitted at the nominal rate of five per cent. But wool costing between eighteen and twenty-four cents per pound was charged three cents per pound; that costing more than twenty-four cents was charged nine cents per pound. The duties on woollens were increased correspondingly. An *ad-valorem* rate of twenty-five per cent. was levied on them; in addition they paid a specific duty of twelve cents for each pound of cloth. This specific duty was intended merely to compensate the manufacturers for the duty on wool, while the *ad-valorem* rate alone was to yield them any protection. This is the first appearance in our tariff history of the device of exact compensating duties. Compensation for duties on raw materials used by domestic producers had indeed been provided for in

previous tariffs; but it was not until the passage of the Morrill act and of its successors that it came to be applied in this distinct manner. As the principle of compensation has been greatly extended since 1861, and is the key to the existing system of woollen duties, it may be well to explain it with some care.

It is evident that a duty on wool must normally cause the price of all wool that is imported to rise by the full extent of the duty. More-
compensating system. over, the duty presumably causes the wool grown at home, of the same grade as that imported, also to rise in price to the full extent of the tax. It is clear that, if foreign wool continues to be imported, such a rise in the price of domestic wool must take place; since wool will not be imported unless the price here is higher, by the amount of the duty, than the price abroad. It may happen, of course, that the tax will prove prohibitory, and that the importation of foreign wool will cease; in which case it is possible that the domestic wool is raised in price by some amount less than the duty, and even possible that it is not raised in price at all. Assuming for the present (and this assumption was made in arranging the compensating system) that domestic wool does rise in price, by the extent of the duty, as compared with foreign wool, it is evident that the American manufacturer, whether using foreign or domestic wool, is compelled to pay more for his raw material than his competitor abroad. This disadvantage it becomes necessary

to offset by a compensating duty on foreign woollens. In 1861 the duty on wool of the kind chiefly used in this country (costing abroad between ten and twenty-four cents a pound) was three cents a pound. The compensating duty for this was made twelve cents a pound on the woollen cloth, which tacitly assumes that about four pounds of wool are used for each pound of cloth. This specific duty was intended to put the manufacturer in the same situation, as regards foreign competition, as if he got his wool free of duty. The separate *ad-valorem* duty of twenty-five per cent. was then added in order to give protection.

The compensating system was retained in the acts of 1862 and 1864. During the war, it is needless to say, the duties on wool and woollens were considerably raised. They were increased, and to some extent properly increased, to offset the internal taxes and the increased duties on dye-stuffs and other materials; and care was taken, in this as in other instances, that the increase in the tariff should be sufficient to prevent the domestic producer from being unfairly handicapped by the internal taxes. In the final act of 1864 the duties on wool were as follows:

On wool costing 12 cents or less, a duty of 3 cents per pound.
 “ “ “ between 12 and 24 cents, a duty of 6 cents per pound.
 “ “ “ “ 24 and 32 cents, a duty of 10 cents per pound,
 plus ten per cent.
 On wool costing more than 32 cents, a duty of 12 cents per pound, plus ten per cent.¹

¹ Exactly how this duty on wool of ten per cent. on the value, in addition

The wool chiefly imported and chiefly used by our manufacturers was that of the second class, costing between twelve and twenty-four cents per pound, and paying a duty of six cents. The compensating duty on woollens was therefore raised in 1864 to twenty-four cents per pound of cloth. The *ad-valorem* (protective) duty on woollens had been raised to forty per cent.

During the war the production of wool and woollens had been greatly increased. The check to the manufacture of cotton goods, which resulted from the stoppage of the great source of supply of raw cotton, caused some increase in the demand for woollens. The government's need of large quantities of cloth for army use was also an important cause. After the war, a revolution was threatened. Cotton bade fair to take its former place among textile goods; the government no longer needed its woollens, and threw on the market the large stocks of army clothing which it had on hand. In the hope of warding off the imminent depression of their trade, the wool growers and manufacturers made an effort to obtain still further assistance from the government. A convention of wool growers and manufacturers was held in Syracuse, N. Y., in December, 1865. That both these classes of producers, as a body, understood and supported the views of this meeting, is not at all certain. The mass of wool growers undoubtedly knew

to the specific duty, came to be imposed, the writer has never seen satisfactorily explained. It probably came into the tariff in connection with the discriminating duty of ten per cent. which was imposed on goods imported in the vessels of nations that had no treaty of commerce with us.

nothing of it ; they were represented chiefly by a few breeders of sheep. Among the manufacturers, many held aloof from it when its character became somewhat more plain. There is good evidence to show that the whole movement was the work of a few energetic manufacturers of New England, engaged chiefly in producing carpets and worsted goods, and of some prominent breeders of sheep.¹ The fact that the rates of duty, as arranged by the Syracuse convention, were especially advantageous to certain manufacturers—namely, those who made carpets, worsted goods, and blankets,—tends to support this view. On the surface, however, the movement appeared to be that of the growers and manufacturers united. The latter agreed to let the wool producers advance the duty on the raw material to any point they wished ; they under-

¹ " This tariff (of 1867) was devised by carpet and blanket makers, who pretended to be ' The National Woollen Manufacturers' Association,' in combination with certain persons who raised fine bucks and wished to sell them at high prices, and who acted in the name of ' The National Wool-Growers' Association.' * * * A greater farce was never witnessed * * * Many who took part in the proceedings of 1866, finding that the Association [of Wool Manufacturers] was used for the convenience of special interests, have since withdrawn."—Harris, " Memorial," pp. 22, 23.

Mr. Harris says elsewhere : " The carpet interest was predominant [in the Wool Manufacturers' Association]. * * * The President was, and is now (1871), a large carpet manufacturer ; and the Secretary was a very talented and astute politician, from Washington, chosen by the influence of the President." And again : " The Association having spent considerable sums in various ways *peculiar to Washington* (the italics are Mr. Harris's) increased the annual tax on its members very largely ; and at the present time (1871) it is hopelessly in debt to its President."—"Protective Duties," pp. 9, 10 ; " The Tariff," p. 17. See also " Argument on Foreign Wool Tariff before Finance Committee of Senate," New York, 1871.

took, by means of the compensating device, to prevent any injury to themselves from the high duty on the wool they used. The tariff schedule which was the result of this combination was approved by the United States Revenue Commission.¹ It was made a part of the unsuccessful tariff bill of 1867, already referred to²; and when that bill failed, it was made law by a separate act, to whose passage no particular objection seems to have been made. The whole course of events forms the most striking example—and such examples are numerous—of the manner in which, in recent tariff legislation, regard has been had exclusively to the producer. Here was an intricate and detailed scheme of duties, prepared by the producers of the articles to be protected, openly and avowedly with the intention of giving themselves aid; and yet this scheme was accepted and enacted by the National Legislature without any appreciable change from the rates asked for, and without question as to its effect on the people at large.³

We turn now to examine this act of 1867, which remained in force till 1883, and in which no changes of

¹ Mr. Stephen Colwell, a disciple of the Carey protectionist school, was the member of this commission who had charge of the wool and woollens schedule. Mr. Wells, who was also a member of the commission, had nothing to do with this part of the tariff.

² *Ante*, p. 21.

³ The proceedings of the Syracuse convention may be found in full in the volume of "Transactions of the Wool Manufacturers"; also in "U. S. Revenue Report, 1866," pp. 360-419. Mr. Colwell's endorsement of the scheme is also in "U. S. Revenue Report, 1866," pp. 347-356. Mr. Wells, in his report of 1867, sharply criticised the act as passed.

great importance are made by the existing tariff. In this examination we will follow the statement published in 1866, in explanation of the new schedule, by the Executive Committee of the National Association of Wool Manufacturers.¹ To begin with, the duties Act of 1867. on wool were arranged on a new plan. Wool Duty on wool. was divided into three classes: carpet, clothing, and combing wool.² The first class, carpet wool, corresponded to the cheap wools of the tariff of 1864. The duty was three cents a pound if it cost twelve cents or less, and six cents a pound if it cost more than twelve cents. The other two classes, of clothing and combing wools, are the grades chiefly grown in this country, and therefore are most important to note in connection with the protective controversy. The duties on these were the same for both classes. Clothing and combing wools alike were made to pay as follows :

Value 32 cents or less, a duty of 10 cents per pound and 11 per cent.
ad valorem.

Value more than 32 cents, a duty of 12 cents per pound and 10 per cent. *ad valorem.*³

¹ See "Statement of the Executive Committee of the Wool Manufacturers Association to the U. S. Revenue Commission," printed in "Transactions," as above ; also printed in "Revenue Report for 1866," pp. 441-460.

² Clothing wool is of comparatively short fibre ; it is *carded* as a preparation for spinning ; it is used for making cloths, cassimeres, and the other common woollen fabrics. Combing wool is of longer fibre ; it is *combed* in a combing machine as a preparation for spinning ; and it is used in making worsted goods, and other soft and pliable fabrics.

³ Here again we have the rather absurd combination of specific and *ad-valorem* duties on wool. In the act of 1867, there is the further complication

Comparing these figures with the rates of 1864, one would not, at first sight, note any great change. In 1864, wool costing between twenty-four and thirty-two cents had been charged ten cents per pound plus ten per cent. *ad valorem*; and wool costing more than thirty-two cents had paid twelve cents a pound plus ten per cent. These seem to be almost exactly the rates of 1867. But in fact, by the change in classification, a very considerable increase in the duty was brought about. In 1867 *all* wool costing less than thirty-two cents was made to pay the duty of ten cents per pound and eleven per cent. In 1864 wool costing (abroad) between eighteen and twenty-four cents had been charged only six cents per pound. This is the class of wool chiefly grown in the United States, and chiefly imported hither; and it was charged in 1867 with the duty of ten cents and eleven per cent. With the *ad-valorem* addition, the duty of 1867 amounted to eleven and a half or twelve cents a pound, or about double the duty of 1864. The consequence was that in reality the duty on that grade of wool which is chiefly used in this country was nearly doubled by the act of 1867; and the increase was concealed under a change in classification. The duty on clothing and combing wools, as fixed in

that the *ad-valorem* duty is in the one case ten per cent., in the other eleven per cent. This difference resulted by accident, as the writer has been informed, from the need of complying technically with certain parliamentary rules of the House. It is hardly necessary to say that this mixture of specific and *ad-valorem* duties on wool has no connection with the compensating system. The compensating scheme accounts only for the two kinds of duties on *woollen goods*.

1867, has been on the average more than fifty per cent. on the value abroad.

The duty on wool being fixed in this way, that on woollens was arranged on the following plan. It was calculated that four pounds of wool (unwashed) were needed to produce a pound of cloth. The duty on wool, as has been explained, amounted to about eleven and one half cents a pound, taking the specific and *ad-valorem* duty together. Each of the four pounds of wool used in making a pound of cloth, paid, if imported, a duty of four times eleven and one half cents, or forty-six cents. If home, grown wool was used, the price of this, it was assumed, was equally raised by the duty. The manufacturer in either case paid, for the wool used in making a pound of cloth, forty-six cents more than his foreign competitor. For this disadvantage he must be compensated. Moreover, the manufacturer in the United States, in 1867, paid duties on drugs, dye-stuffs, oils, etc., estimated to amount to two and one half cents per pound of cloth. For this also he must be compensated. In addition he must have interest on the duties advanced by him; for between the time when he paid the duties on the wool and other materials, and the time when he was reimbursed by the sale of his cloth, he had so much money locked up. Add interest for, say six months, and we get the final total of the duty necessary to compensate the manufacturer for what he has to pay on his raw materials. The account stands:

Duty on 4 pounds of wool at $11\frac{1}{2}$ cents	46	cents
" " oils, dye-stuffs, etc.	$2\frac{1}{2}$	"
Interest	$4\frac{1}{2}$	"
Total	53	"

Congress did not accept the exact figure set by the woollen makers. It made the compensating duty fifty cents per pound of cloth instead of fifty-three; but this change was evidently of no material importance. The woollen manufacturers got substantially all that they wanted. It will be remembered that in 1864 the compensating specific duty on cloth had been only twenty-four cents per pound.

The *ad-valorem* duty was fixed at thirty-five per cent. The woollen manufacturers said they wanted a "net effective protection" of only twenty-five per cent.¹ This does not seem immoderate. But ten per cent *ad-valorem* was supposed to be necessary to compensate for the internal taxes, which were still imposed in 1867, though abolished very soon after. This ten per cent., added to the desired protection of twenty-five per cent, brought the *ad-valorem*

¹ "All manufactures composed wholly or in part of wool or worsted shall be subjected to a duty which shall be equal to twenty-five per cent. net; that is, twenty-five per cent. after reimbursing the amount paid on account of wool, dye-stuffs, and other imported materials, and also the amount paid for the internal revenue tax imposed on manufactures and on the supplies and materials used therefor." Joint Report of Wool Manufacturers and Wool Growers, "Revenue Report, for 1866," p. 430; also in "Transactions." The Executive Committee of the Wool Manufacturers' Association said, in 1866: "Independently of considerations demanding a duty on wool, the wool manufacturers would prefer the total abolition of specific duties, provided they could have all their raw material free, and an actual net protection of twenty-five per cent." Harris, "Memorial," p. 9.

rate to thirty-five per cent. The final duty on woollen cloth was therefore fifty cents per pound and thirty-five per cent. *ad valorem*: of which the fifty cents was compensation for duties on raw materials; ten per cent. was compensation for internal tax; and of the whole accumulated mass only twenty-five per cent. was supposed to give protection to the manufacturer.

This duty was levied on woollen cloths, woollen shawls, and manufactures of wool not otherwise provided for—categories which include most of the woollen goods made in this country. On other classes of goods the same system was followed. An *ad-valorem* duty of thirty-five per cent. was imposed in all cases; twenty-five per cent. being intended to be protection, and ten per cent. compensation for internal taxes. The specific duty varied with different goods, but in all cases was supposed merely to offset the import duties on wool and other supplies. For instance, on flannels, blankets, and similar goods, the specific duty varied from fifty cents a pound to twenty cents, being made to decrease on the cheaper qualities of goods, as less wool, or cheaper wool, was used in making a pound of flannel or blanket. The duties on knit goods were the same as those on blankets. On carpets the system was applied with some modification. The specific duty was levied here *by the square yard*, and not by the pound. A calculation was made of the quantity of wool, linen, yarn, dye-stuffs, and other imported articles used for each

yard of carpet ; the total duties paid on these materials, with interest added as in the case of cloth, gave the compensating duty per yard of carpet. On this basis, for instance, the specific duty on Brussels carpets was made forty-four cents per yard (the manufacturers had asked for a duty of forty-eight cents); the *ad-valorem* duty of thirty-five per cent. being of course also imposed. In the same way the specific duty on dress goods for women's and children's wear was made from six to eight cents per yard, according to quality. It is evident that the task of making the specific duty exactly compensate for the duties on wool was most complicated in these cases, and that any excess of compensation would here be most difficult of discovery for those not very familiar with the details of the manufacture. As a matter of fact, it is precisely in these schedules of the woollens act that, as we shall see, the "compensating" system was used as a means of securing a high degree of protection for the manufacturer.

These duties, *ad valorem* and specific taken together, have been from fifty to one hundred per cent., and even more, on the cost of the goods. On cloths generally they have been from sixty to seventy per cent. on the value. On blankets and flannels they have been from eighty to one hundred per cent., and have been entirely prohibitory of importation. On dress goods they have been from sixty to seventy per cent.; on Brussels carpets again from sixty to seventy per cent.; and on ingrain carpets from fifty to fifty-five per cent. Yet a net protection of

twenty-five per cent. is all that the manufacturers asked for and were intended to have; and the question naturally presents itself, did they not in fact get more than twenty-five per cent.?

The first conclusion that can be drawn from this explanation of the woollens duties is that there was at all events no good reason for the permanent retention of the *ad-valorem* rate of thirty-five per cent. Of that rate ten per cent. was in all cases meant to compensate for the internal taxes. These disappeared entirely within a year or two after the woollens act was passed. Yet the *ad-valorem* rate on woollens remained at thirty-five per cent. without change from 1867 to 1883. In the present tariff, that of 1883, it still is thirty-five per cent. in most cases; and where it has been changed at all, it has even been raised to forty per cent. There is no more striking illustration of the way in which duties which were imposed in order to offset the internal taxes of the war period, have been retained and have become permanent parts of our tariff system, although the original excuse for their imposition has entirely ceased to exist.

It may seem that the retention of the specific duties on woollens was justified, since the duties on wool were not changed. It is true that the duties on dye-stuffs, drugs, and such articles have been abolished or greatly reduced since 1867; but these played no great part in the determina-

Comment
on the
ad-valorem
duty.

Comment on
the specific
duties.

tion of the specific duty. The duties on wool were not changed till the passage of the act of 1883. There are, however, other grounds for criticising the specific duties on woollens, which have been in fact not merely compensating, but have added, in most cases, a considerable degree of protection to the "net" twenty-five per cent. which the act of 1867 was supposed to give the manufacturers.

The compensating duties, as we have seen, were based on two assumptions: first, that the price of wool, whether foreign or domestic, was increased by the full extent of the duty; second, that four pounds of wool were used in making a pound of cloth. The first assumption, however, holds good only to a very limited extent. A protective duty does not necessarily cause the price of the protected article to rise by the full extent of the duty. It may be prohibitory; the importation of the foreign article may entirely cease; and the domestic article, while its price is raised to some extent, may yet be dearer by an amount less than the duty. This is what has happened with regard to most grades of wool. The commoner grades of wool are raised in this country with comparative ease. The duty on them is prohibitory, and their importation has ceased. Their price, though higher than that of similar wools abroad, is not higher by the full extent of the duty. It is true that the importation of finer grades of clothing and combing wools continues; and it is possible that the wools of Ohio, Michigan, and other States east of the Mississippi

are higher in price, by the full amount of the duty, than similar wools abroad. Even this is not certain; for the wools which continue to be imported are not of precisely the same class as the Ohio and Michigan wools. As a rule, the importations are for exceptional and peculiar purposes, and do not replace or compete with domestic wools. At all events, it is certain that the great mass of wools grown in this country are entirely shielded from foreign competition. Their price is raised above the foreign price of similar material; but raised only by some amount less than the duty. The manufacturer, however, gets a compensating duty in all cases as if his material were dearer, by the full extent of the duty, than that of his foreign competitor. The bulk of the wool used by American manufacturers does not show the full effect of the tariff, and the manufacturers clearly obtain, in the specific duty, more compensation than the higher price of their wool calls for. The result is that this duty, instead of merely preventing the domestic producer from being put at a disadvantage, yields him in most cases a considerable degree of protection, over and above that given by the *ad-valorem* duty.¹

There is another way in which the compensating duty is excessive. A very large quantity of woollen goods are

¹ See the instructive remarks of Mr. John L. Hayes, in *Bulletin Wool Manufacturers* vol. xiii. pp. 98-108. Cf. "Tariff Comm. Report," pp. 1782-1785. The production and importation of wool in different parts of the country for a series of years are given in some detail in "Tariff Comm. Report," pp. 2435, 2436.

not made entirely of wool. Cotton, shoddy, and other substitutes are in no inconsiderable part the materials of the clothes worn by the mass of the people. In these goods very much less than four pounds of wool is used in making a pound of cloth, and the specific duty again yields to the manufacturer a large degree of protection.

The second assumption of the compensating system, that four pounds of wool are used in making a pound of cloth, is also open to criticism. The goods in which cotton and shoddy are used clearly do not require so much wool. But it is probable that even with goods made entirely of wool, the calculation of four pounds of unwashed wool for each pound of cloth is very liberal. Wool, unwashed, shrinks very much in the cleaning and scouring which it must receive before it is fit for use; and the loss by wear and waste in the processes of manufacture is also considerable. The shrinkage in scouring is subject to no definite rule. In some cases wool loses only forty per cent. of its weight in the process, in others as much as seventy-five per cent. The shrinkage in scouring on American wools is rarely more than sixty per cent; and if to this is added a further loss of twenty-five per cent. in manufacture, there will be needed for a pound of cloth no more than three and one third pounds of wool.¹

¹ See, as to the loss of wool in scouring, *Quarterly Report Bureau of Statistics*, for quarter ending June 30, 1884, pp. 503-505; Harris, "Memorial," p. 11; Schoenhof, "Wool and Woollens," p. 10; *Bulletin Wool Mf.*, vol. xiii., p. 8. The least loss I have found mentioned is twenty-five per cent. (coarse Ohio), and the highest seventy per cent. (Buenos Ayres wool). Ordinary

With the great majority of goods made in this country, the shrinkage and the loss in manufacture do not amount to more than this. The calculation of four for one is for most American goods a liberal one; and it is evident that the compensating duty, based on this liberal calculation, yields a degree of protection in the same way that it does on goods that contain cotton or shoddy. On the other hand, there are some grades of imported wool on which the shrinkage and loss in manufacture are so great that the compensating duty is not excessive. Some grades of Australian wool, which are imported for manufacturing fine goods and worsteds, are subject to exceptional shrinkage and to exceptional waste in the process of manufacture. Of this class of wool four pounds, and sometimes a little more, are apt to be used for a pound of cloth.¹ In such cases the compensating duty evidently

American wool loses between fifty and sixty per cent. in scouring. The loss in weight in manufacturing varies much with the processes, but with care will not exceed twenty-five per cent. With most goods it is less.

If the loss in scouring 100 lbs. of wool is sixty per cent., there remain 40 lbs. scoured wool.
Deduct twenty-five per cent. for loss in manufacture 10 lbs.

Leaves 30 lbs. of cloth,
or 1 lb. of cloth for $3\frac{1}{3}$ lbs. of wool.
If the loss in scouring 100 lbs. of wool is sixty-five per cent. there remain 35 lbs. scoured wool.
Deduct twenty-five per cent. for loss in manufacture
. $8\frac{3}{4}$ lbs.

Leaves $26\frac{1}{4}$ lbs. of cloth,
or 1 lb. cloth for not quite 4 lbs. of wool.

¹ See the instances given by Mr. Hayes in *Wool Manufacturers' Bulletin*, vol. xii., pp. 4-9. These all refer to Australian wool, which, as Mr. Hayes says elsewhere (*ibid.*, p. 107), is imported in comparatively small quantities for exceptional purposes.

may fail to counterbalance entirely the disadvantage under which the manufacturer labors in the higher price of his raw material ; for the wool, being imported into this country, and paying the duty, must be higher in price by the full amount of the duty than the same wool used by the foreign producer. In other words, there are cases where the specific duty is not sufficient to offset the duty on the raw material. It is probable that this fact explains, in part at least, the regular importation of certain dress goods and finer grades of cloths, which continue to come into the country from abroad in face of the very heavy duty. But such cases are exceptional. For most goods made in the United States the compensating duty on the four to one basis is excessive.

One other provision in the act of 1867 may be pointed out, which bears on the calculation of four pounds of wool to one pound of cloth, and at the same time illustrates the spirit in which the act was prepared. It has already been said that the duty on wool is laid on *unwashed* wool ; and the compensating duty is fixed on the calculation that it requires four pounds of unwashed wool to make a pound of cloth. The act of 1867 provided that clothing wool, if washed, should pay double duty, and if scoured, treble duty. Similarly combing wool and carpet wool were made to pay treble duty if scoured. But no provision whatever was made as to combing and carpet wools if *washed* ; they were admitted at the same rate of duty whether washed or unwashed. This amounted practically

to a lowering of the duty on them. The same wool which would weigh, if unwashed, one and one half pounds, and would be charged with a duty of twenty cents, would weigh, if washed, only about a pound, and would pay a duty of only thirteen cents. The result was that combing and carpet wool was advantageously imported in a washed condition, and the duty was in effect appreciably below the rate on unwashed wool. Yet the compensating duty on carpets, worsteds, and all goods made from these wools was arranged as in the case of cloths, as if the full rate on unwashed wool were levied. The manufacturer got the full compensating rate on his product, though he did not pay the full duty on his wool. It is a well-known fact that this anomaly in the act of 1867 was due chiefly to a prominent manufacturer of New England, whose business, as a consequence, was made exceedingly profitable during the years immediately succeeding the passage of the act.¹

If, as we have seen the case to be, the compensating duty was very liberal in the case of ordinary woollen cloth, where the calculations on which it was founded can be checked with comparative ease, it is to be expected

¹ The act of 1853 maintains without change the admission of washed combing wool at the same rates of unwashed. The great profits which this state of things enabled certain worsted manufacturers to make in the first instance, have been brought down by the force of domestic competition; and a considerable industry has grown up on the basis of the easy admission of washed wool. It would, therefore, hardly be wise to revert from it at the present time. But its insertion in the original act is very characteristic of the spirit in which the compensating scheme was devised.

that other schedules, where a check is more difficult to apply, will also contain excessive compensation. The specific duty on carpets is levied by the yard; that on Brussels carpets, for instance, was forty-four cents a square yard. Similarly the specific duty on dress-goods was levied by the square yard. That on blankets, flannels, worsteds, yarns, etc., was fixed by the pound, but was made to vary from twenty to fifty cents a pound, according to the value of the goods. The last-mentioned goods, for instance, paid a duty of twenty cents a pound if worth forty cents or less a pound; a duty of thirty cents if worth between forty and sixty cents; and so on. In every case, of course, the *ad-valorem* (nominally protective) rate of thirty-five per cent. was added to the specific duties. It is evidently a very complex problem whether these "compensating" duties represent the exact sum necessary to offset the increased price of materials due to the tariff rates on wool, hemp, dye-stuffs, and other dutiable articles used by manufacturers. We have seen that the movement that resulted in the passage of the act of 1867 was brought about chiefly by the manufacturers of carpets and worsteds. These men adjusted the specific duties, and alone could know with how great accuracy they attained their object of compensation. In some instances it was confessed that there was more than compensation in their scheme; this was admitted to be the case with blankets and dress-goods. On all goods it is not to be doubted that a liberal allowance was made in

favor of the manufacturers, and that the specific rates gave them a great amount of pure and simple protection.

The truth is that the wool and woollens schedule, as it was enacted in 1867, and as it now remains in force with the modifications made in 1883, is a great sham. Nominally, it makes an exact division between protective and compensating duties; and nominally, it limits the protection for the manufacturer to twenty-five (now thirty-five) per cent. As a matter of fact, no one can tell how much of the different duties is protective, and how much merely compensating. So complicated is the schedule, and so varying are the conditions of trade and manufacture, that the domestic manufacturer himself finds it difficult to say exactly how great a degree of encouragement the government gives him. In some exceptional cases the effectual protection may be less than the twenty-five (now thirty-five) per cent. which the tariff is supposed to yield. In the great majority of cases it is very much more than this, and was meant to be more. The whole cumbrous and intricate system,—of *ad-valorem* and specific duties, of duties varying according to the weight and the value and the square yard,—was adopted, it is safe to say, simply because it concealed the degree of protection which in fact the act of 1867 gave. Duties that plainly and palpably levied taxes of 60, 80, and 100 per cent. would hardly have been suffered by public opinion or enacted by the legislature. Probably few members of Congress under-

stood the real nature and bearing of the scheme; and no attempt was made to check the calculations of the woollen manufacturers, or to see whether, intentionally or by accident, abuses might not have crept into their proposals.

The most remarkable fact in the history of this piece of legislation was its failure to secure the object which its supporters had in mind. Manu-
facturers not
benefited
by the act. Notwithstanding the very great degree of protection which the manufacturers got, the production of woollen goods proved to be one of the most unsatisfactory and unprofitable of manufacturing occupations. As a rule, a strong protective measure causes domestic producers to obtain, at least for a time, high profits; though under the ordinary circumstances of free competition, profits are sooner or later brought down to the normal level. But in the woollen manufacture even this temporary gain was not secured by the home producers after the act of 1867. A few branches, such as the production of carpets, of blankets, of certain worsted goods, were highly profitable for some years. These were the branches, it will be remembered, in which the compensating duties were most excessive, and the prominent manufacturers engaged in them had done most to secure the passage of the act of 1867. Profits in these branches were in course of time brought down to the usual level, and in many instances below the usual level, by the increase of domestic production and domestic competition.

The manufacture of the great mass of woollen goods, however, was depressed and unprofitable even during the years immediately following the act, notwithstanding the speculative activity and superficial prosperity of that time.¹ Not only then, but throughout the period between 1867 and the present, there can be no doubt that the manufacturers have been steadily complaining, and have steadily found it difficult to make even average profits on their goods. One great cause of this undoubtedly has been that the tariff of 1867 gave particularly high protection on the cheaper and commoner grades of goods, and that domestic producers have been tempted to devote themselves too exclusively to making such goods. The high duty on wool, and the consequent hampering of the manufacturer in the choice of his material, have tended in the same direction. The majority of finer woollen goods are at present imported, and the manufacture in this country is confined chiefly to cheaper grades. The competition in the latter has been keen, and the production greater than the market can easily absorb. The entire absence of foreign competition has at the same time caused the machinery and methods of production in many mills to be backward and inefficient.

¹ See an instructive article, by a manufacturer, in *Bulletin Nat. Assoc. Wool Mf.*, vol. iii., p. 354 (1872). "There is one thing that all who are interested in the manufacture will agree to, that for the last five years [from 1867 to 1872] the business in the aggregate has been depressed, that the profits made during the war have been exhausted mainly, and that it has been extremely difficult during all this time to buy wool and manufacture it into goods and get a new dollar for an old one."—*Cf.* Mr. Harris's pamphlets, cited above.

Moreover, the unprosperous state of the manufacture has had a depressing effect on the prices of wool and on the wool growers. It is often said that the artificial condition of the tariff, in causing the manufacturers to confine themselves chiefly to cheap goods, has prevented the wool growers from obtaining any benefit whatever from the high duties on their material. However this may be, it is certain that the expectations of the woolgrowers, founded on the act of 1867, were greatly disappointed. The final result of the existing system has been an increase of cost to consumers, without any permanent benefit to producers. There can be little doubt that, as a whole, and in the long run, the manufacture would have been much more satisfactory to those engaged in it if they had been content with that which they declared to be their only object—a net protection of 25 per cent. A tariff admitting wool free and charging woollens with a duty of 25 per cent. would have saved many difficulties to producers, as well as a great deal of heavy taxation to consumers. Under such a tariff the woollen manufacture could maintain itself at the present time in almost every one of its branches; and by a careful and gradual reduction of duties, such a tariff could be substituted for the existing rates within five years, without causing any harmful disarrangement of the industry.¹

¹ This statement (in regard to the effect of a simple 25 per cent. duty) might be open to criticism if it represented merely the opinion of a "theorist." The writer has for it, however, the authority of Mr. Rowland Hazard, of Providence, R. I., a gentleman with wide experience as a manu-

The woollens act of 1867 has been discussed somewhat at length because it is the most striking illustration of the manner in which protective duties were advanced after the war at the request of domestic producers. There are not a few other cases in which an increase of duties beyond the level reached during the war was made. After the woollens act, perhaps the most remarkable is the copper act of 1869. Before that year the duty on copper ore had been five per cent., that of 1869, on copper in bars and ingots had been two and a half cents per pound. Under the very low duty on copper ore a large industry had grown up in Boston and Baltimore. Ore was imported from Chili, and was smelted and refined in these cities. But during the years immediately preceding 1869 the great copper mines of Lake Superior had begun to be worked on a considerable scale. These mines are probably the richest sources of copper in the world, and under normal circum-

facturer, who has kindly permitted the use of his name as sanctioning the text on this point.

It is not part of the object of this volume to discuss in detail the economic effect of the duties on wool and woollens. The reader is referred to a discussion of the original scheme in Mr. Wells's "Report of 1866-67," pp. 50-60; also to Mr. Wells's "Report for 1869-70," pp. xcii-cv.; Wells, "Wool and the Tariff" (1873); Harris, "Memorial to Committee on Ways and Means" (1872); Schoenhof, "Wool and Woollens" (1883); R. Hazard, "Address before the Washington County Agr. Society" (1884). On the other side, see *Bulletin Wool Manufacturers*, vol. ii., pp. 19-34, in reply to Wells's remarks in 1870; "Examination of Statements in the Report of the Revenue Commissioner," House Rep., 41st Congress, 2d session, Report No. 72 (1869-70); *Bulletin Wool Mfr.*, vol. xiii., p. 1-13; "Tariff Comm. Report," pp. 2240-47, 2411-2440.

stances would supply the United States with this metal more cheaply and abundantly than any other country; yet through our tariff policy these very mines have caused us for many years to pay more for our copper than any other country. The increased production from these mines, with other circumstances, had caused copper to fall in price in 1867 and 1868; and their owners came before Congress and asked for an increase of duties. Copper ore was to pay three cents for each pound of pure copper, equal to twenty-five or thirty per cent., in place of the previous duty of five per cent.; and ingot copper was to pay five cents per pound, instead of two and a half cents. The bill making these changes was passed by both houses. President Johnson refused to sign it, and sent in a veto message, which bore marks of having been composed by other hands than his own. But the President was then perhaps the most unpopular man in the country; Congress had got a habit of overriding his vetoes, and the copper bill was passed in both Houses by the necessary two-thirds vote, and became law.¹ A more open use of legislation

¹ The veto message is in *Congress. Record*, 1868-69, p. 1460. It was written by Mr. David A. Wells, as that gentleman has informed the writer. The character of the bill was made clear enough in the course of the debate, at well as by the veto message. See Brooks's speech, *ibid.*, p. 1462. The manner in which this bill, and others of the same kind, were carried through Congress is illustrated by some almost naive remarks of Mr. Frelinghuysen: "My sympathies are with this bill, as they always are for any tariff bill. I confess, however, that I do not like this system of legislation, picking out first wool, then copper, then other articles, and leaving the general manufacturing interests without that protection to which they are entitled, and thus dividing the strength which those great interests ought to have. But

for the benefit of private individuals has probably never been made. The effect of the act was, in the first place, to destroy the smelting establishments which had treated the Chilian ores. In the second place, it enabled the copper producers at home to combine and to settle the price of their product without being checked by any possible foreign competition. It is a well-known fact that the mining companies of Lake Superior, which controlled until within a year or two almost the entire production of copper in the United States, have maintained for many years a combination for fixing the price of copper. Their price has been steadily higher than the price of copper abroad; and when they have found it impossible to dispose of all their product at home at the combination price, large quantities have been sent abroad and sold there at lower prices, in order to relieve the home market. Several of these companies have paid for a series of years enormous profits—profits due in part, no doubt, to the unsurpassed richness of their mines, but in part also to the copper act of 1869.¹

Still another instance of the increase of duties since the war is to be found in the case of steel rails. Before 1870 steel rails had been charged with duty under the head of

still, if a bill is introduced which gives protection to copper, trusting to the magnanimity of the Representatives from the West who have wool and copper protected, I should probably vote for the bill."—*Ibid.*, p. 161.

¹ On the effect of the copper act, see Mr. Wells's Essay, already referred to, in the Cobden Club series, pp. 518-521 *Cf.* the "Report of the Tariff Comm.," pp. 2554-2577. See also Appendix, V., where the total production of copper in each year, prices at home and abroad, etc., are given.

“manufacturers of steel not otherwise provided for,” and Steel rails, as such had paid forty-five per cent. The 1870. tariff act of 1870 changed this to a specific duty of $1\frac{1}{4}$ cents per pound, or \$28 per gross ton. At the time, the change caused an increase, but no very great increase, in the duty. The Bessemer process of making steel had hardly begun to be used in 1870, and the price of steel rails at that time in England was about \$50 per ton. The *ad-valorem* rate of forty-five per cent., calculated on this price, would make the duty \$22.50 per ton, or not very much less than the duty of \$28 per ton imposed by the act of 1870. Between 1870 and 1873, the price of steel rails advanced in England, and the specific duty of \$28 imposed in the former year was not higher than the *ad-valorem* rate of forty-five per cent. would have been. But after 1873 the prices of Bessemer steel and of steel rails steadily went down. As they did so, the specific duty became heavier in proportion to the price. By 1877 the average price of steel rails in England was only a little over \$31 per ton; and since 1877 the English price has not on the average been so high as \$28 per ton. The duty of \$28, which this country imposed, has therefore been equivalent to more than one hundred per cent on the foreign price. The result of this exorbitant duty was an enormous gain to the producers of steel rails in the United States. The patent for the use of the Bessemer process was owned by a comparatively small number of companies; and these companies, aided by a

patent at home and protected by an enormous duty against foreign competitors, were enabled for a time to obtain exceedingly high prices for steel rails. During the great demand for railroad materials which began on the revival of business in 1879, and continued for several years thereafter, the prices of steel rails were advanced so high that English rails were imported into this country even though paying the duty of one hundred per cent. During this time the price in England was on the average in 1880 about \$36 per ton, and in 1881 about \$31 per ton. In this country during the same years the price averaged \$67 and \$61 per ton. That is, consumers in this country were compelled to pay twice as much for steel rails as they paid in England. Any thing which increases the cost of railroad-building tends to increase the cost of transportation; and a tax of this kind eventually comes out of the pockets of the people in the shape of higher railroad-charges for carrying freight and passengers. The domestic producers of steel rails secured enormous profits, of one hundred per cent. and more on their capital, during these years. These profits, as is always the case, caused a great extension of production. The men who had made so much money out of Bessemer steel in 1879-81 put this money very largely into establishments for making more steel. New works were erected in all parts of the country. At the same time the demand fell off, in consequence of the check to railroad-building; and the increased supply, joined to the small demand, caused

prices here to fall almost to the English rates. But during the years of speculation and railroad-building the tariff had yielded great gains to makers of steel rails; and popular feeling against this state of things was so strong that in 1883 Congress felt compelled, as we shall see, to make a considerable reduction in the duty.¹

Still another case, and one which bears some resemblance to the woollen act of 1867, is to be found in the change of the duty on marble, which was made in 1870. The duty on marble had been put in 1864 at fifty cents per cubic foot, and twenty per cent. in addition. This, it may be remarked, is one of the not infrequent cases in which our tariff has imposed, and still imposes, both *ad-valorem* and specific duties on the same article. No compensating principle, such as is found in the woollen schedule, explains most of these mixed duties; and it is hard to find any good reason for retaining them, and giving the customs authorities the task of assessing the duty both on value of the article and on its weight or measure. The cause of their retention, there can be little doubt, is that they serve to conceal the real extent of the duties imposed. The duty on marble, for instance, had been thirty per cent. in 1861, and had been raised to forty per

¹ The effect of the steel-rail duty is discussed more in detail in Mr. J. Schoenhof's "Destructive Influence of the Tariff," ch. vii. On the profits made by the manufacturers, see Mr. A. S. Hewitt's speech in Congress, May, 16, 1882, *Congress. Record*, pp. 3080-83; also printed separately. Cf. *infra*, p. 94, and figures of production, prices, etc. in Appendix, VI.

cent. in 1862. The mixed duty put on in 1864 was equivalent to eighty per cent. and more.¹ A direct increase of the duty from forty to eighty per cent. would hardly have been ventured on; but the adoption of the mixed duty veiled the change which was in fact made. One would have supposed that this rate of eighty per cent. would have sufficed even for the most ardent supporter of home industries; but in 1870 a still further increase was brought about. It was then enacted that marble sawed into slabs of a thickness of two inches or less should pay twenty-five cents for each superficial square foot, and thirty per cent. in addition; slabs between two and three inches thick should pay thirty-five cents per square foot, and thirty per cent.; slabs between three and four inches thick should pay forty-five cents per square foot, and thirty per cent.; and so on in proportion. Marble more than six inches thick paid at the old rate of fifty cents per cubic foot, and twenty per cent. It is evident that the change made in the duty on marble in slabs caused a great increase. The duty on the thinnest slabs (two inches or less in thickness) became \$1.50 per cubic foot, and thirty per cent. in addition; this same

¹ The duty of 1864 was fixed, as Mr. Morrill then explained, in accordance with an arrangement made between the importing merchants and "the gentlemen in Washington in the marble-quarry interest." The latter were Mr. Morrill's constituents. It did not seem to occur to that gentleman that the persons who were to pay for the marble should be regarded at all. Originally Mr. Morrill had even proposed a duty of seventy-five cents per cubic yard, with twenty per cent. in addition. See *Congr. Globe*, 1863-64, pp. 2746-2747.

marble had hitherto been admitted at fifty cents per cubic foot, and twenty per cent. The new rates of 1870 have been equivalent to between 100 and 150 per cent. on the value, and have been practically prohibitive. The effect of the marble duty and of the change made in it in 1870 can be understood only by those who know the circumstances under which marble is produced and imported in this country. The only marble imported, and that which alone is affected by the duty, is fine marble used for ornamental purposes in mantel-pieces, furniture, grave-stones, etc. Such marble comes into use very largely in the shape of slabs of a few inches in thickness. The marble is imported, notwithstanding the heavy duty, from Italy, whence it is brought cheaply by ships that have taken out grain and other bulky cargoes. It is produced in the United States in a single district in Vermont. The owners of the marble quarries in this district have their product raised in price almost to the extent of the duty of eighty or 150 per cent. The result has been to make these quarries very valuable pieces of property, and to put very handsome profits into the pockets of their owners; profits which represent practically so much money which Congress has ordered those who use ornamental marble to pay over to the quarry-owners.¹

Wool and woollens, copper, steel rails, marble, which we have now considered, are sufficient examples of the man-

¹ In regard to the duty on marble, see "Tariff Commission Report," pp. 227, 1560, 1648.

ner in which duties, already raised to high figures during the war, were still further increased after the war, for the benefit of the domestic producers. Other instances could be given in which an equal disregard of the consumer and taxpayer has been shown. The duty on flax, the raw material of a manufacture not over-prosperous, had been \$15 per ton in 1864; in 1870 it was raised to \$20 on undressed flax, and to \$40 on dressed flax. Nickel had been admitted free of duty in 1861, and had paid only fifteen per cent. by the act of 1864. In 1870 the duty was suddenly made thirty cents per pound, or about forty per cent. on the value. Nickel, like marble, is produced in only one locality in this country. There exists a single nickel mine, in Pennsylvania, owned by a well-known advocate of protection, and, with the aid of the tariff, this mine, doubtless, has yielded the owner very handsome returns.¹ Examples need not be multiplied. Enough has

¹ Mr. Joseph Wharton, of Philadelphia, is the owner of the nickel mine. Mr. Wharton has also been largely interested in Bessemer steel-works. There can be no impropriety in mentioning his name, as he has publicly advocated not only the general doctrine of protection, but also the retention of the duties on nickel and steel. See "Tariff Com. Report," pp. 201-204; and *ibid.*, 219, 393, in regard to the effect of the duty on nickel. Cf. Mr. Wharton's pamphlet, "The Duty on Nickel," Philadelphia, 1883; and Mr. D. A. Wells's remarks on this pamphlet in *Princeton Review*, July, 1883, pp. 8-11. See also "Mineral Resources of the United States," p. 405. Mr. Wharton is the founder of the Wharton School of Finance and Economy, in Philadelphia, in which protectionist doctrines are taught. Indeed, Mr. Wharton, when giving the money for founding the school, stipulated that the professors should teach "how, by suitable tariff legislation, a nation * * * may keep its productive industry alive, cheapen the cost of commodities, and

been said to show how the tendency toward high duties, which was caused by the war, continued after the war ceased, and how this tendency was taken advantage of by the home producers in order to obtain a degree of protection which, under ordinary circumstances, they would not have dreamed of asking.

No excuse can be found for the great increase of duties on wool and woollens, on copper, and on the other articles which have been dealt with in the present chapter. That duties were greatly increased during the course of the war, and in many cases increased wantonly and unnecessarily, may be explained and in some degree excused by the imperative need of heavy taxation at that time, and by the impossibility of avoiding mistakes and incongruities in the hurried passage of a complicated mass of legislation. The retention of these war taxes, heavy and often exorbitant as they were, for twenty years after the occasion for them had passed, is not indeed to be defended, but it may be reasonably explained. The pressure of other problems, the fear of infringing on vested rights and interests, the powerful opposition which is always met in withdrawing public bounty when once it has been conferred, may explain the failure to reduce the war duties on grounds which, if not sufficient, are at least not unbecoming to our public life. But for the additions

oblige foreigners to sell it at low prices, while contributing largely toward defraying the expense of its government." The quotation is from the letter of gift.

to the protective system that were made by measures like the woollens act of 1867 and the copper act of 1869, no explanation can be given that does not reflect in some degree on the good name and the good faith of the national legislature. Such measures can be accounted for only when we call to mind that our public life was demoralized during the years immediately following the war; that jobs were plenty and lobbyists powerful; that some Congressmen thought it not improper to favor legislation that put money into their own pockets, and many thought it quite proper to support legislation that put money into the pockets of influential constituents. The measures which we have been considering were by no means the most conspicuous or the worst results of this state of things. Bribery, direct or indirect, is not likely to have been used to affect tariff provisions; it certainly can have had little influence on legislation. Contributions to the party chest are the form in which money payments by the protected interests are likely to have been made, so far as such payments were made at all. But the general laxity of thought on public trusts undoubtedly made possible the manipulation of the tariff in the interest of private individuals. The tone of political life, as indeed that of commercial life, was lowered by the abnormal economic conditions that followed the war; and the general demoralization enabled the protected interests and their champions to rush through Congress measures which, in a more healthy state of public affairs, would have been reprobated and rejected.

CHAPTER IV.

THE TARIFF ACT OF 1883.

IN the preceding chapters the tariff has been discussed independently of the act of 1883. That act, aside from the abortive horizontal reduction of 1872, made the first general revision since the Civil War. It has been assumed, in our discussion of the legislation previous to 1883, that the revision was not so complete, and the change made in the course of it not sufficiently great, to affect the substantial truth of the statement that the war duties are still retained as the basis of our tariff system. It remains to justify this assumption by examining in some detail the act of 1883.

The history of the passage of the act is so recent and familiar that only the salient events need be recalled. After the crisis of 1873 little or nothing was heard for a while about the tariff; and so habituated had the public become to the extreme protective régime that the demand for its reform met with little support. The subject was again made prominent, after having attracted little attention for several years, by the redundant revenue which was the consequence of the revival of trade in 1879 and the subsequent years. The connection between tariff legisla-

tion and the state of the revenue has indeed been curiously constant in our history. In 1842 an empty treasury was followed by the passage of a high protective tariff. In 1857 an overflowing revenue caused a reduction of the duties. In 1861 the Morrill tariff was passed, partly in order to make good a deficit. During the war the need of money alone made possible the act of 1864. The ten per cent. reduction of 1872 was called out largely by the redundant revenue; its abolition in 1875 was excused by the falling off in the government income. In recent years the surplus has been on the average about a hundred millions a year,¹ and the demand for a reduction in the tariff rates has become steadily stronger.

In 1882 a protectionist Congress passed an act for the appointment of a Tariff Commission, which was to report at the next session of Congress what changes it thought desirable. Of the gentlemen appointed by the President on this commission a majority were advocates of high protection; while no member could be said to represent that part of the public which believed a reduction of the protective duties to be desirable. Mr. John L. Hayes,

¹ The surplus, after paying all expenses and interest on the public debt, was :

In the fiscal year	1880	.	.	.	.	.	\$65,883,000
"	1881	.	.	.	.	.	100,069,000
"	1882	.	.	.	.	.	145,543,000
"	1883	.	.	.	.	.	132,879,000
"	1884	.	.	.	.	.	104,393,000,

(under the act of 1883).

the secretary of the Wool Manufacturers' Association, was president of the commission. Its report was laid before Congress at the beginning of the session of 1882-83. At first no action on this report or on the tariff seemed likely to be taken; for the House, in which revenue bills must originate, was unable to agree on any bill. But the House, having passed a bill for the reduction of some of the internal taxes, the Senate tacked to this bill, as an amendment, a tariff bill based, in the main, on the recommendations of the Tariff Commission. When this bill came before the House the protectionists again succeeded, as in 1872, in obtaining a parliamentary victory. By an adroit manœuvre they managed to have it referred to a conference committee.¹ In this committee the details of the tariff act were finally settled; for the bill, as reported

¹ This manœuvre was a curious example of the manner in which the rules of Congress are manipulated in order to affect legislation. A two-thirds vote, by the existing rules, was required to bring the Senate bill before the House. A two-thirds majority in favor of the bill could not be obtained; though it was probable that on a direct vote a majority in its favor could have been got. The protectionists wished to have the bill referred to a conference committee, which would probably act in the direction desired by them. For this purpose a resolution was introduced by Mr. Reed, of Maine, providing for a *new rule* of the House, by which a bare majority was to have power to take up a bill amended by the Senate for the purpose of non-concurrence in the Senate amendments, *but not for the purpose of concurrence*. By the passage of this rule a majority of the House could take up the tariff bill, and then *refuse* to concur in the Senate amendments; but under this rule the amendments could not be concurred in. There was, consequently, no possibility of passing the tariff bill in the shape in which it came from the Senate. The bill had to be referred to a conference committee; and in that committee, as the text states, the details of the bill were settled. The Reed rule, though made a permanent rule of the House, was passed merely in order to attain this object.

to the Senate and House by the conferees of the two bodies, was passed by them and became law. Act of 1883 ; The object of the manœuvre was to check the how passed. reduction of duties as it appeared in the Senate bill ; and this object was attained. The changes made by the conference committees were, as a rule, in a protectionist direction. The duties on a number of articles were raised by the committee above the rates of the Senate bill, and even above the rates which the House had shown a willingness to accept. The consequence was that the tariff act, as finally passed, contained a much less degree of reduction than the original Senate bill ; and it was passed in the Senate only by a strict party vote of 32 to 31, while the original Senate bill had been passed by a vote of 42 to 19.¹

¹ Mr. Morrison said, in the last session of Congress (1883-84), in commenting on the act of 1883 : " The office and duty of a conference committee is to adjust the difference between two disagreeing Houses. This House had decided that bar-iron of the middle class should pay \$20 a ton ; the Senate that it was to pay \$20.16 a ton. The gentlemen of the conference committee reconciled this difference—how ? By raising bar-iron [of this class] above both House and Senate to \$22.40 a ton. The Tariff Commission reported that the tariff on iron ore should be 50 cents a ton. The Senate said it should be 50 cents a ton. The House said it should be 50 cents a ton. Gentlemen of the conference committee reconciled the agreement of the House, Senate, and Tariff Commission into a disagreement, and made the duty on iron ore 75 cents a ton. The gentlemen of the conference did a similar service for the great corporation of corporations, the Iron and Steel Association, by giving it a tax of \$17 on steel rails, which the House had fixed at \$15 and the Senate at \$15.68 per ton." Quoted in Nelson's " Unjust Tariff Law," pp. 22, 23. *Cf.* remarks to the same effect by Senator Beck, who was a member of the conference committee.—*Cong. Record*, 1883-84, p. 2786.

The conferees for the Senate were Messrs. Morrill, Sherman, Aldrich,

In taking up the provisions of the act of 1883,¹ it will be best to consider first those cases in which an increase in the duties has been made. For, unexpected as it may be to the reader of the preceding pages, the act of 1883 contains a number of sections in which protective duties have been advanced above

Duties raised in 1883.	the rates of preceding acts; and these sections are very instructive when we try to make out the general character of the new act. To begin with, the duties on certain classes of woollen goods have been raised. On most woollens the figures have been lowered; though, as will be seen, the reduction in these cases has not been such as to bring any benefit to consumers. But on certain classes of woollens, on which a reduction of duty, if made, would have been of benefit to consumers, the duties have not been reduced, but advanced. This is the case
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Woollen dress goods.	with dress goods made wholly of wool. Under the act of 1867 such goods had paid a maximum duty of eight cents per yard and forty per cent. It will be observed that the forty per cent. rate on these goods had already been above the general <i>ad-valorem</i> duty
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Bayard, and Beck; for the House, Messrs. Kelley, McKinley, Haskell, Randall, and Carlisle. All but three (Bayard, Beck, and Carlisle) were strong protectionists.

¹ In the appendix, VII., the reader will find a table giving in detail the old duties, those recommended by the Tariff Commission, and those now in force, on all articles mentioned in this chapter. In the document entitled "Tariff Compilation," printed by the Senate in 1884, a complete list of the old and new duties is given.

of thirty-five per cent. established by the act of 1867. Nevertheless the act of 1883 increased the duty on these goods to nine cents a yard and forty per cent. The Tariff Commission had even recommended twelve cents a yard and forty per cent. Goods of this class form the largest single item in the importations of woollens into the United States. They are made to no very great extent by the domestic manufacturers. The new duty is intended to enable the latter to engage profitably in making them; since the old duty, though it amounted in all to more than sixty-five per cent. on the values of the imports, had not sufficed for this purpose. No pretence was made that this increase in the specific duty was necessary to give more effective compensation for the wool duty; in fact, as we shall see, the duty on wool was slightly lowered, so that the compensating duty, if changed at all, should have gone down. The new duty was simply a concession to the demand of the manufacturers for still further protection on one of the few articles on which the previous rates had still permitted foreign competition.¹

Next to dress goods, such as were discussed in the preceding paragraph, the class of woollens of which

¹ The Tariff Commission, in its "Report" (p. 31), says: "The new clause in relation to all-wool merino goods is a new provision, and has in view the introduction of fabrics never yet successfully made in this country. Many of these goods constitute staple fabrics * * * and their manufacture would be a desirable acquisition to our national industry." Cf., on the whole of the new system of wool and woollen duties, two articles in *Bulletin Wool Mf.*, xiii., 1-13, 89-128.

the importations are largest are the finer grades of cloths and cassimeres. The importation of these goes on steadily in large quantities, and the tariff tax on them is felt with its full weight; for, since importation continues, it is clear, that not only the imported goods, but also those of the same kind made at home, are raised in price to the full extent of the duty. The duty on them, like that on dress goods, is one of the comparatively few in the woollens schedule which has not been entirely prohibitory. The production of these finer woollens is carried on in this country only to a limited extent. It is not surprising, therefore, to find here also a rise of the rates in the new act. Cloths are there divided into two classes: those costing more and those costing less than eighty cents per pound. The latter, costing less than eighty cents, are admitted, as before, at an *ad-valorem* duty of thirty-five per cent. But the former, costing more than eighty cents, per pound, are now made to pay forty per cent. The specific compensating duty is indeed reduced somewhat in both cases, in connection with the lower duties on wool, which will presently be discussed; but the *ad-valorem* rate, that which is avowedly protective, is increased.

A change of almost the same kind was made in the duties on cotton goods. Here also the duty was lowered on the common grades of goods; and on these grades, as will be seen in the following, the reduction was again a purely nominal one, of no benefit

to the consumers and taxpayers. But on other grades of cotton goods, whose importation still goes on, and on which a decrease in the duty would have caused some lowering of prices and some relief from taxation, there was no reduction, but an increase. The duty on cotton hosiery, embroideries, trimming, laces, insertings, etc., had been thirty-five per cent. under the old law. In the act of 1883 it was made to be forty per cent. The duty of thirty-five per cent. had been imposed during the war, in 1864, at a time when raw cotton was taxed, and the manufactured cotton also paid a heavy internal tax. This rate remained unchanged from 1864 till 1883, notwithstanding the abolition of the internal taxes; and now it has even been raised to forty per cent. The importance of this change is clear only when we know that imports of cottons consist chiefly of goods of the class on which the duty is increased. The statistics of former years are so arranged that we cannot tell exactly how large a proportion these goods bear to the total imports of cottons; but it is safe to say that more than half the cotton goods which continue to be brought into this country from abroad will be affected by the increase of duty from thirty-five to forty per cent.¹

The process by which the protective system has gradu-

¹ The goods on which the new duty took effect are separately stated for the first time in the statistical returns for 1883-84. From the statement of imports for the ten months ending April, 1884 (the only statement the writer has at hand), it appears that out of a total importation of about \$25,000,000 of cottons, not less than \$15,000,000 paid the new duty of forty per cent.

ally been brought to include almost every article, whatever its character, whose production in the country is possible, is illustrated by the new duty on iron ore. This, as the crudest of raw materials, would be admitted free, or at very low rates, according to ordinary canons of protection. In 1861 it had paid a duty of ten per cent. as an unenumerated article; and this rate had not been changed during the war, since the article was not one likely to be imported or to yield revenue. In 1870, when the protective principle, as we have seen, was applied with greater strictness in various directions, the duty was raised to twenty per cent. In recent years iron ore has been imported in considerable quantities from Spain; and now the duty has been raised, in the present tariff, to seventy-five cents per ton, or about thirty-five per cent. on the value.

Still another instance of the advance of duties in the existing act is to be found in the rates on certain manufactures of steel. Here, as has so often happened, the increase is concealed under what is in appearance merely a change in classification. The duties on steel ingots, bars, sheets, and coils had been, until 1883, those fixed in the war tariff of 1864, from two and one quarter cents to three and one half cents per pound, varying with the value of the steel. The act of 1883 apparently reduced these duties slightly, making them from two to three and a quarter cents per pound. But previous to 1883 "steel, in forms not otherwise specified," had been admitted

at a duty of thirty per cent. Under this provision, which had been in force since 1864, a number of articles, like cogged ingots, rods, piston-rods, steamer shafts, and so on, had paid only thirty per cent. The act of 1883, however, specifically enumerated these and other articles, and put them in the same schedule with steel ingots and bars,—that is, compelled them to pay a duty of from two to three and a quarter cents a pound. In almost all cases these articles now must pay three and a quarter cents a pound, which will be a considerable advance over the previous rate of thirty per cent. On the newly-enumerated articles the present act causes an increase in the duty; although, at first sight, the new schedule of steel ingots, bars, etc., seems to show a lowering of the rate.

In very much the same way, by means of a change in classification, an increase has been brought about in the duty on files. These had paid, before 1883, a duty varying, according to the length of the files, from six to ten cents *per pound*, and, in addition, thirty per cent. The Tariff Commission recommended, and the act of 1883 established, a new rate of from thirty-five cents to \$2.50 *per dozen*. The effect of the change was to increase the duty on the small sizes of files. These sizes alone will feel any effect from the new duty. Under the old duty the importation of most classes of files had entirely ceased; but small files, such as are used chiefly by watchmakers, continued to be imported from Switzerland and England. On these the new classification brought about an increase

Files.

in the duty, which, it is needless to say, operated greatly to the advantage of the domestic manufacturers of the article.

Again, quicksilver had been admitted in previous years
Other free of duty; the act of 1883, in response to
articles. a demand from the owners of the richest
mines in the world, those of California, imposed on this metal a duty of ten per cent.¹ One of the important drag-net paragraphs in the tariff—"manufactures, articles, vessels, and wares, not otherwise provided for, of brass, iron, lead, pewter, and tins"—shows an increase in the duty from thirty-five to forty-five per cent. A very large number of articles, tools, and machinery of various kinds are charged with duty under this clause: the imports of manufacturers of iron alone, on which the higher rate of forty-five per cent. will take effect, amounted in 1883 to nearly \$3,400,000. Other instances of the same kind could be found in the new act; but enough have been given to show that the process of extending and increasing the protective duties, which was traced in part in the preceding chapter, by no means ceased in the act of 1883.

The reader may be weary of the dry figures of the preceding paragraphs, and especially of those relating to articles of little importance, like watchmakers' files. It is true that the economic welfare of the country is not perceptibly affected by an increase in the duty on watch-

¹ See "Tariff Commission Report," pp. 2591-2597.

makers' files and by the consequent rise in their price. But the tariff contains a mass of these duties, which, taken together, have no small influence on the prosperity of the country; and it is impossible to understand the history of the tariff

This increase
of duties
not defensi-
ble.

or its effects without going more or less into details of this kind. Moreover, in regard to this act of 1883, the many instances in which duties have been advanced deserve especial attention, because they throw light on the character of the act and the intentions of those who passed it. That these changes are not defensible on any sound economic principles need not here be shown. They are to be condemned when we look at them from the point of view not only of economic principle, but of public policy and public faith. The Tariff Commission was given the task of revising the tariff "judiciously"; its recommendations were declared to contain a general reduction of duties by twenty per cent. or more, and the declared object of the leaders of the dominant party was to bring about some substantial relief. No one can doubt that "reform" at the present time means a reduction, and excludes an increase in duties, and that the advance in the rates on cottons, woollens, and other articles was no part of what the public reasonably expected in the new act. Whatever may be the feeling as to the retention of the existing duties, or as to the time and manner in which reduction should be made, public opinion with the majority of the

people may be safely said to be opposed to any further growth of the protective system. No rational and unprejudiced person will deny that protection has at least been carried far enough in our tariff system. Had the higher duties of the act of 1883 been brought before Congress in a separate bill, there can be no doubt that their enactment would have been impossible. That they were in many cases half concealed by means of changes in classification, or were coupled with apparent reductions on other articles in the same schedules, shows that the protectionists themselves had some fear of putting them nakedly before the public. The existence of changes of this kind causes a feeling of suspicion as to the new tariff act as a whole. It makes a doubt arise whether in those cases where the figures have been lowered, any thing has really been done that gives relief from the burden of the protective duties.

The schedules in the tariff which have the greatest effect on the welfare of the country are those
 Reductions of duty : fixing the duties on iron and wool ; and to
 wool. these we will first give our attention. The change in the duty on wool was sufficiently simple. The *ad-valorem* rate was taken off. The duty of 1867, it will be remembered, had been, on wools costing less than thirty-two cents, ten cents per pound and eleven per cent. *ad valorem*, and, on wools costing more than thirty-two cents, twelve cents per pound plus ten per cent. *ad valorem*. These *ad-valorem* rates of eleven and

ten per cent. were taken off, and the rates left simply at ten and twelve cents per pound.¹ In regard to the greater part of the wools raised in the United States, this reduction is purely nominal. It leaves the duty on the cheaper grades of wool raised in Texas and in the Territories at a point where it is still entirely prohibitory. That such is the case, has been frankly acknowledged in the official mouth-piece of the wool manufacturers.² So far as concerns the higher grades of wool, such as are raised in Ohio and neighboring States, the reduction is a slight substantial gain. The only objection is that it does not go far enough. The duty on wool, notwithstanding the cumbrous machinery of compensating duties, undoubtedly has a hampering influence on the wool manufacture, and has been an important factor in confining this industry within a limited range that is often complained of. Like

¹ The duty in the act of 1883 is ten cents on wool costing *thirty* cents or less, and twelve cents on that costing more than thirty cents. The change (in the line of division, according to value) from thirty-two to thirty cents is not without importance; and, as far as it goes, it evidently tends to neutralize the reduction. This is confessed in the *Bulletin Wool Mf.*, xiii., II, 109.

The duty on carpet wool (*ante* p. 47) was also reduced from three and six cents per pound to two and one half and five cents. There is no reason why carpet wool should not have been admitted entirely free of duty, since such wool is hardly raised in this country at all. (See "Tariff Comm. Report," pp. 2335-2338.) The retention of the duty on it is doubtless explained by the fact that the compensating specific duty on carpets, like most of the compensating duties, in reality yields a good deal of protection to the manufacturers; this they are unwilling to give up; and they cannot retain it without also retaining the duty on carpet wool, that being the only foundation for the specific compensating duty.

² See *Bulletin Wool Mf.*, xiii., 100.

every protective duty, it causes consumers to pay a tax which does not go into the government coffers, but merely aids or enriches individuals. As a tax on raw materials, it tends to bear with heavier weight than would be the case with the same duty on a finished product ; since it is advanced again and again by the wool dealer, the manufacturer, the cloth dealers, the tailor, each of whom must have a greater profit in proportion to the greater amount of capital which the wool duty and the higher price of wool make it necessary for him to employ. So strong and so clear are the objections to duties of this kind that hardly another civilized country, whatever its general policy, attempts to protect wool.¹ Moreover, the reduction of a duty of this kind can take place with exceptional ease. Wool is not produced, as a rule, in large quantities, by persons who devote themselves exclusively to this as a business. It is mainly produced by farmers, whose chief income comes from other sources, and on whom a reduction of duty and a fall of price would fall with comparatively little weight.² The case is different in many branches of manufacture, where a considerable

¹ Not only England, but Germany, France, Austria, and Italy, all of whom maintain a more or less protective tariff, and grow large quantities of wool, admit this material free of duty.

² It may be said that this is not the case with the large sheep ranches of the Western States and Territories. But these ranches, it happens, produce the grades of wool of which the price is least affected by the duty ; and moreover, the production of these wools has been exceptionally profitable (partly in consequence of the tariff), and such fall in price as would ensue could very well be endured by the producers. See "Tariff Comm. Report," pp. 1782-1785, and the passages in *Bulletin Wool Mf.* already referred to.

fall in prices may produce an entire cessation of production and a great disturbance of economic relations, and where in consequence a reduction of protection must be made more gradually and carefully. The wool duty may be reduced quickly and sharply without any great danger of interfering harmfully with the established state of things. All economic experience, and more especially the lessons of the last few years, show that such a change is likely to come in the near future.

We turn now to the reductions of duty in the new act on woollen goods, which must follow from the lower duty on wool. It has been seen that Woollens. the *ad-valorem*, or protective, duty was not decreased at all, and that on the finer classes of woollens it was increased from thirty-five to forty per cent. But the specific, or compensating, duty was reduced from fifty cents to thirty-five cents a pound. The present duty is thirty-five cents a pound and thirty-five per cent. on woollens costing less than eighty cents per pound, and thirty-five cents and forty per cent. on woollens costing more than eighty cents. The lowering of the specific duty was in part called for by the reduction of the duty on wool; but the decrease is somewhat larger than the reduced duty on the raw material made necessary. The compensating duty in the new act seems to be fixed on the assumption that no more than three and one half pounds of wool are used in making a pound of cloth; whereas the act of 1867, it will be remembered, was

framed on the basis of four pounds of wool to the pound of cloth. This may be called a tacit confession that the compensating duty of 1867 was excessive; and the new arrangement takes away some of the protection which was formerly given by the specific duty. But this change is of little, if any, benefit to consumers. So far as the finer grades of woollens are concerned, it is more than offset by the increase in the *ad-valorem* duty from thirty-five to forty per cent. So far as the cheaper grades of woollens are concerned, it has no real effect. The duty on these was prohibitory before, and it remains prohibitory now. A reduction of a prohibitory duty may be made and still leave the rate so high as to shut out importation; and this is what has been done. Such a change has no effect on trade or prices, and brings no benefit to consumers. Precisely similar is the state of things in regard to flannels, blankets, and similar goods. On these also the specific duty has been reduced, —on the cheapest grades from a rate of twenty cents a pound to rates of ten and twelve cents. But the new rates are still high enough to shut out importation, and bring about no change beyond that of the figures on the statute-book.¹

¹ The manufacturers assert that the duties on goods have been reduced more in proportion than those on wool. See Mr. Hayes's article in *Bulletin Wool Mfr.*, vol. xiii. Complaints are particularly strong from the manufacturers of yarns, who say that the readjustment of duties on the new tariff enables yarns to be imported from England too easily; and it seems there is ground for this complaint, to the extent that on some yarns the duty, in comparison with the duty on the wool, is too low. —See *Bureau of Statistics Report* for quarter ending June, 1884, pp. 564–566.

Changes of precisely this kind are to be found in other parts of the new act. The rates on the cheap grades of cotton goods, for instance, show a considerable reduction. On the lowest class ^{Cottons.} of unprinted goods the duty had been five cents per yard; it is two and one half cents by the new act. But the old duty has for many years ceased to have any appreciable effect on the prices of cotton goods. The common grades of cottons can be made, as a rule, as cheaply in this country as anywhere in the world; in fact, some of them are regularly exported in large quantities.¹ If the duty on such cottons were entirely abolished, it is probable that they could not be imported; and it is certain that a very small duty would suffice to shut out from our market all foreign competitors in them. Under these circumstances the lowering of the rate of duty which the new act makes, is of no effect whatever. The same holds good of almost all the various reductions in the specific duties on plain and printed cotton goods. These changes are in no sense a reduction of taxation. On the other hand, in the case of the finer cotton goods, laces, trimmings, etc., on which a lowering of the rates would have brought about a real relief from taxation, there was, as we have seen, no decrease, but an increase in the new act.

The duty on pig-iron was reduced by the new act from

¹ See the remarks of the report on the Cotton Manufacture, in the volume of the Census of 1880 on Manufactures.

\$7.00 to \$6.72 a ton. This change is insignificant, hardly two per cent. on the foreign price of iron. A greater could have been made without danger of any disturbance of the iron trade. So far as it goes, it is in the right direction. The same general remark is to be made of the reduction on bar-iron, which, on the ordinary grade, lowers the duty from one cent a pound to eight tenths of a cent. The reduction on bar-iron is, indeed, a change of the same kind as the reduction on cottons, on woollens, and on many other articles,—it still leaves the duty still high enough to prevent any lowering of prices and any effect on trade.¹ The duties on the various forms of manufactured iron—hoop, band, sheet, plate iron, etc.—have gone down in much the same way. The reductions were slight in all cases, and often merely nominal. It is safe to say that, in general, the new rates on iron and its manufactures can have no appreciable effect on the trade and welfare of the country.

The duty on steel rails shows a considerable reduction. The old rate was \$28.00 a ton, and the rate now in force is \$17.00. If this change had been made four or five years ago, it would have been of much

¹ A manufacturer of iron, operating near the sea-shore, admitted that in October, 1882,—not a time of special depression,—the price of domestic bar-iron was lower by \$5.00 than the price for which foreign iron could be imported; and that the price in Pittsburg was lower by \$10.00 than iron could be imported for. The change in duty under the act was one fifth of a cent per pound, or \$4.48 per gross ton; that is, less than the reduction of \$5.00, which it was admitted that the manufacturers on the sea-shore (not to mention those of Pittsburg) could “stand.” “Tariff Comm. Report,” pp. 2458, 2459.

practical importance; but for the immediate present and possibly in the future, it has no effect whatever. It has already been said that, after the enormous profits made by the steel-rail makers in 1879-1881, the production in this country was greatly increased. At the same time the demand from the railroads fell off; and the huge quantities which the mills were able to turn out could be disposed of, if at all, only at prices greatly reduced. The consequence is that the price of rails, which in 1880 was higher than the English price by the full extent of the duty of \$28.00, is now comparatively little above it.¹ The price here is still above the English rate; but the difference is less than \$17.00 a ton; and the duty of that amount is still sufficient to keep out foreign rails. The reduction of the duty has therefore had no effect on prices, and has brought no immediate benefit to consumers; and for the present, like the changes already noticed in regard to cottons and woollens, it is merely a lowering of the figures on the statute-book. Possibly in the future, when railroad building is again pushed, and the demand for rails quickens, it may have some effect. It will then prevent the rail-makers from pushing their prices quite up to the extravagant figures of past years. The probability is, to be sure, that this could not be done even if the old duty had been retained, since the knowledge of the process and the facilities for production have been so greatly extended within the last

¹ See appendix, VI.

two or three years. But the change in the duty at least reduces one factor of those that made the great steel-rail "boom" of 1880 a possibility.

Analogous in its effects to the reduction on steel rails, is that on copper. The duty on this article goes down from five cents, the rate imposed in 1869, to four cents a pound. It has been shown in the preceding pages that the duty on copper enured almost exclusively to the benefit of the owners of the copper mines of Lake Superior, who were enabled by it to combine and fix the price of copper without fear of competition from abroad. The great profits of their mines caused them steadily to increase their product; and although much of their surplus has been disposed of abroad, at prices lower than those demanded at home, the growing supply caused the domestic price slowly to fall. The discovery of large deposits of copper, in recent years, in Montana and Arizona, and the shipment to market of a great deal of copper from these sources, have at the same time broken the monopoly of the Lake Superior combination, and caused the price to go down still further. Importation of copper in any considerable quantities ceased many years ago; and in face of the recent fall in the domestic price, imports would not be resumed even if a somewhat greater reduction of duty were made than is contained in the new tariff. In the last two or three years, the domestic competition has been so strong that the price in this country has been, quality for quality, hardly three cents above the price

abroad.¹ Under such conditions a reduction of the duty from five to four cents a pound evidently has no immediate effect. It is true that the duty of four cents a pound still makes it possible that in the future a combination of the copper producers may again raise their prices at the expense of consumers. Such a result, it is said, is far from impossible, since the product of the Western mines is unsteady, and not unlikely to cease altogether; which would leave the field free once more to the Lake Superior producers. A complete abolition of the duty on copper could be made now without causing any appreciable disturbance of trade, and it would prevent for the future a repetition of the abuses of the past.

The duty on marble in the new act is fixed at sixty-five cents per cubic foot on rough marble, and at Other reductions. \$1.10 per cubic foot on marble sawed, dressed, and in slabs. This is hardly a perceptible decrease from the compound duties which were discussed in the preceding chapter.² The duty on nickel was put at fifteen cents a pound, in place of the previous duty of twenty and thirty cents a pound. Practically all the nickel imported in recent years has come in at a duty of twenty cents; consequently the reduction is less than it seems to be on the surface.³ It is worth while to note that in both these cases the Tariff Commission

¹ See appendix V., for complete tables of the prices, imports, and exports of copper.

² See *ante*, p. 70.

³ See "Tariff Comm. Report," pp. 201, 202.

had recommended rates that would practically have increased the duty. In both, a sharper reduction would have caused no disturbance of trade or of production. Not a few changes were made which can be commended, in the same way, without any qualification except that they were exceedingly moderate. A fair example of these is the reduction of the duty on manufactures of silk from sixty to fifty per cent. In practice the old duty had been equivalent to not more than fifty per cent. on the actual value of the goods, because of the regular and steady undervaluation of silk imports. Such undervaluations, and the concomitant practice of false invoicing, are the inevitable result of high *ad-valorem* duties; and they will probably continue to exist under the new duty of fifty per cent., and will make that again equivalent in fact to forty or forty-five per cent. The silk manufacturers of this country attempted to contrive a schedule of specific duties on silks; but their scheme was not satisfactory, as indeed might have been expected from the greatly varying character of the goods. The *ad-valorem* method was retained, with the reduced rate. The reduction is as great as could have been expected under the circumstances, and possibly as great as was wise at so short notice. The duty must be still considered much too high, whether we look at it from the economic, or from the fiscal and administrative point of view.¹ The change in the duty on silks is perhaps the greatest effective reduction in the new

¹ On the silk duties, see "Tariff Comm. Report," pp. 2165-2174.

tariff act. Others of the same kind are the lowering of the rate on finer linens, from forty to thirty-five per cent.; the decrease of the specific duty on cotton bagging; and so on with a considerable number of articles.

It is interesting to note that the duties on a number of agricultural or mainly agricultural pro- Wheat,
corn, etc. ducts, such as beef and pork, hams and bacon, lard, cheese, butter, wheat, corn, and oats, are left unchanged in the act of 1883. The duty on barley was somewhat lowered, at the request of the brewers of beer; and that on rice also was slightly reduced. But almost all of these products continue to be charged with the same rates as in previous years. It is needless to say that the duties on them have no effect whatever, except to an insignificant extent on the local trade across the Canadian border. Articles such as these, which are steadily exported, are not affected by import duties. The duties probably are left unchanged in order to maintain the fiction that the agricultural population gets through them a share of the benefits of protection. It is curious that the reductions in this schedule, on barley and on rice, affect almost the only products on which the duties in fact bring any benefit to the agricultural producer and any burden for the consumer.

Enough has been said of the details of General
remarks. the changes made by the act of 1883. Its general character cannot easily be described. In truth, it can hardly be said to have any general character.

It is best described as a half-hearted and unsuccessful attempt on the part of protectionists to bring about an apparent reform of the tariff.¹ That it was framed by men who at heart were protectionists, and who had no conviction that protection in this country had been carried too far, or even far enough, is shown by the numerous cases in which, more or less openly, an increase in protective taxes was made. On the other hand, the desire to make some concession to the growing popular feeling against excessive duties caused reductions to be made—sometimes reductions that gave a real, though slight, relief from the burden of the duties, but more often reductions such as had little effect other than the change of the figures on the statute-book. On the whole, the changes have clearly not been of enough importance to affect the essential character of our tariff system. That system still retains, substantially unchanged, those high duties which were imposed during the war, and those further protective duties which the weakness of Congress, the general disorder of public affairs, and the insistence of domestic producers, brought about in the years immediately following the war. It is

¹ Mr. John L. Hayes, the President of the Tariff Commission, writing more particularly of the new duties on wool and woollens, said, shortly after the passage of the act: "Reduction in itself was by no means desirable to us; it was a concession to public sentiment, a bending of the top and branches to the wind of public opinion to save the trunk of the protective system. In a word, the object was *protection through reduction*. We were willing to concede only to save the essentials both of the wool and woollens tariff. * * * We wanted the tariff to be made by our friends."—*Bulletin Wool Mf.*, xiii., 94.

still such as, if proposed as a new measure to be deliberately adopted in substitution for the system in existence in 1860, would be rejected as excessive and unreasonable.

The act of 1883 has made no change that can be satisfactory to those who oppose protective duties on principle, or to that larger class who believe that the time has come for some modification of the existing protective system. This latter class now includes, it may be assumed with a good deal of confidence, a large majority of the thinking people of the United States. It may be that the principles of free trade, in their full consequences, would not meet with general acceptance. But many have a belief—not very comprehensible to one trained in economic reasoning, yet widely diffused—that, while “moderate” protection may be desirable, immoderate duties like those of our present tariff are objectionable. Many, again, who would consent to protective duties up to a certain point, because they yield needed revenue to the government, desire them to be reduced now that the revenue is redundant. For one reason and another, the feeling against the existing system has become so strong that the extreme protectionists must soon give way. In some places, it is true, where the population is engaged very largely in protected industries, the feeling maintains itself that protection is always a good thing, and that the more of it there is the better. But this is no longer the controlling mood; and it is safe to say that popular opinion has turned, and is turning so strongly against the extreme of

protection which we now have, that a decided modification of it is merely a question of time. The act of 1883 was an attempt on the part of the protectionists to make such a modification, and to satisfy the general demand for it. The attempt was not successful. The opportunities for raising duties afforded by the passage of a general tariff act proved in many cases too strong a temptation to be resisted by domestic producers and by public men who had been in the habit of acting at the instance of the producers. On the other hand, the reductions were so sparing that no decided change was made, or even appeared to be made. The situation, therefore, is not materially affected by the new tariff act. The need of reform and the demand for reform are essentially the same as they were before its passage; and all experience, and all the signs of the times, point to the conclusion that there will be, in the not distant future, a more incisive change.

APPENDIX.

TABLE I.

Imports, Duties, and Ratio of Imports to Duties, 1860-1883.
(From the Statistical Abstract.)
 00,000 omitted.

Imports.

Fiscal Year Ending June 30	Free.	Dutiable.	Total.	Duties Collected.	Per cent. of Duties on Du- tiable Imports	Per cent of Duties on Aggregate Imports.
1860	73.7	279.9	353.6	52.7	19.67	15.67
1	71.1	218.2	289.3	39.0	18.84	14.21
2	52.7	136.6	189.4	46.5	36.20	26.08
3	35.2	208.1	243.3	63.7	32.62	28.28
4	41.1	275.3	316.4	96.5	36.69	32.04
5	44.5	194.2	238.7	80.6	47.56	38.46
6	59.0	375.8	434.8	177.1	48.35	41.81
7	23.1	372.6	395.7	168.5	46.67	44.56
8	15.2	342.2	357.4	160.5	48.70	46.56
9	21.6	395.9	417.5	176.6	47.36	44.76
1870	20.1	415.8	435.9	191.5	47.16	44.92
1	36.6	483.6	520.2	202.4	44.05	40.47
2	47.3	579.2	626.5	212.6	41.47	37.94
3	144.8*	497.3	642.1	184.9	38.15	27.89
4	151.5	415.9	567.4	160.5	38.61	28.29
5	146.3	386.7	533.0	154.6	40.69	29.37
6	140.4	320.4	460.8	145.2	44.80	31.25
7	140.8	310.5	451.3	128.4	42.95	20.20
8	141.3	295.8	437.0	127.2	42.81	29.01
9	142.7	303.1	445.7	133.4	44.95	30.37
1880	208.3	459.6	667.9	182.7	43.56	29.12
1	202.5	440.2	642.7	193.8	43.25	29.79
2	210.6	514.1	724.6	216.1	42.70	30.18
3	207.5	515.7	723.2	210.6	42.65	30.05

* The abolition of the tea and coffee duties, and the free admission of some other articles, in 1872, account for the sudden increase of non-dutiable imports. See p. 30.

This table is taken from the *Statistical Abstract*, and gives the computations of the Bureau of Statistics. Some peculiarities in it may be worth noting. The average rate on dutiable articles in 1863 is 32.62 per cent., while in 1862 the average on dutiable articles was 36.20. Yet, since duties were steadily increasing during the war, one would expect the rate to be higher in 1863 than in 1862. The explanation must be that a number of articles which, before 1863 had been admitted free, were subjected to rather low duties in that year, and caused a lowering of the average rate on dutiable articles; or that the importation of goods charged with high rates was exceptionally small in 1863. Both causes may have operated.—It is to be remembered that, although the Morrill tariff act of 1861 went in force for the fiscal year ending June 30, 1862, the average rate for that year (36.20 on dutiable goods) does not represent the rates of the Morrill tariff. During 1861 and the early parts of 1862 several other tariff acts were passed, levying duties additional to those of the Morrill act, and going into force during that fiscal year. The effect of all these measures is seen in the average rates for the fiscal year 1861-62, which consequently do not indicate the general character of the Morrill tariff.—The effect of the ten per cent. reduction of 1872 is clearly seen in the average rates of 1873 and the subsequent years.

TABLE II.

Duties on Some Important Articles, Raised during the Year, and Retained without Reduction till 1883.

Articles.	Duty under the Morrill Tariff of 1861.	Duty of 1864 in Force in 1883.
Books	15 per cent.	25 per cent.
Chinaware, plain . .	30 “	45 “
Cotton goods, not otherwise provided for . . .	30 per cent.	35 per cent.
Cottons, coarse, un- bleached	1 ct. per yard.	5 cts. per yard.
Cotton spool-thread .	30 per cent.	6 cts. per dozen, plus 30 % (= 60 to 70 %).
Cottons, fine printed .	4½ cts. per square yard plus 10 per cent.	5½ cts. per square yard plus 20 per cent.
Manufactures of flax, jute, or hemp, not otherwise provided for	30 per cent.	40 per cent.

Articles.	Duty under the Morrill Tariff of 1861.	Duty of 1864 in Force in 1883.
Glass, common window	1 to 1½ cts. per square foot.	¾ to 4 cts. per square foot.
Gloves, of kid or leather	30 per cent.	50 per cent.
Bar-iron ¹	¾ ct. per lb.	1 to 1½ cts per lb.
Iron rails	\$12 per ton.	\$14 per ton.
Steel, in ingots, bars, etc.	1½ to 2 cts. per lb.	2½ to 3½ cts. per lb.
Pig lead	1 ct. per lb.	2 cts. per lb.
Paper	30 per cent.	35 per cent.
Silks	30 per cent.	60 per cent.

¹ On all forms of bar-iron, band-, hoop-, and boiler-iron, on chains, anchors, nails and spikes, pipes, etc., etc., the duties of 1864 were in force till 1883.

TABLE III.

Duties on Certain Articles, Raised since 1864 above the War Rates.

Articles.	Duty of 1861.	Duty of 1864.	Duty as Fixed in 1865-70.
Bichromate of potash	3c. lb.	3c. lb.	4c. lb. (1875)
Copper, ingot	2c. lb.	2½c. lb.	5c. lb.
Flax	\$15 ton	\$15 ton	\$20 to \$40 ton
Marble in slabs . . .	30 %	50c. cub. foot + 20 %	\$1.25 to \$1.50 cub. foot + 30 %
Nickel	Free	15 %	20c. to 30c. lb.
Steel rails	30 %	45 %	\$28 ton
Umbrellas	30 %	35 %	50 to 60 %
Wooll	3c. lb.	6c. lb.	10c. lb. + 11 %
Woollens :			
Carpets (Brussels).	40c. sq. yd.	70c. sq. yd.	44 to 70c. sq. yd. + 35 %
Cloths	12c. lb. + 25 %	24c. lb. + 40 %	50c. lb. + 35 %
Dress-goods . . .	12c. lb. + 25 %	24c. lb. + 40 %	{ 6c. sq. yd. + 35 % 8c. sq. yd. + 40 %
Flannels	30 %	24c. lb. + 35 %	20 to 50c. lb. + 35 %

¹ See the explanation of the wool duties at p. —

TABLE IV.

Revenue from Customs, Duties, and Internal Revenue, 1861-1883.
(00,000 omitted.)

Year.	Internal Revenue.	Customs Revenue.
1861	None.	39.6
2	"	49.1
3	37.6	69.1
4	109.7	102.3
5	209.5	84.9
6	309.2	179.0
7	266.0	176.4
8	191.1	164.5
9	158.4	180.0
1870	184.9	194.5
1	143.1	206.3
2	130.6	216.4
3	113.7	188.1
4	102.4	163.1
5	110.0	157.2
6	116.7	148.1
7	118.6	131.0
8	110.6	130.2
9	113.6	137.2
1880	124.0	186.5
1	135.3	198.2
2	146.5	220.4
3	144.7	214.7

TABLE V.

Production, Imports, and Exports of Copper, and Foreign and Domestic Price.

(Quantities in gross tons.)

Year.	Domestic Product'n.	Imports.		Ex- ports	Price per lb. in Cents.		Difference in Price.
		Copper in Pigs.	Copper Ore.		New York Lake Cop'r	London Chili Bars	
1875	18,000	415	2,300	2,280	23	18	5
6	19,000	777	910	6,430	21.5	16.5	5
7	21,000	750	15	6,050	19	14.6	4.4
8	21,500	165	390	5,040	16.5	13.5	3
9	23,000	70	100	7,680	17.5	12.2	5.3
1880	27,000	2,350	2,000	1,880	20	13.5	6.5
1	32,000	320	4,420	2,160	18.5	13.3	5.2
2	41,000	334	8,190	1,490	18.7	14.4	4.3
3	52,000	148		3,890	16.1	13.7	2.4
4	6 mos.				14.5	12.1	2.4

Figures up to and including 1882 are from *Mineral Resources of the United States*, pp. 214, *et seq.* The production in 1883 is the estimate of the *Engineering and Mining Journal*. The production is for the calendar year, the imports and exports for the fiscal year (ending June 30th). The annual average prices are calculated from the monthly prices given in *Mineral Resources* till 1882; for 1883 and the first six months of 1884 they have been compiled independently. The figures given in *Mineral Resources* seem to contain considerable under-statements, so far as exports are concerned. See *Eng. and Min. Journal*, Jan. 26, 1884, p. 59.

These tables show the price in New York to have been higher than that in London by from $2\frac{1}{2}$ to $5\frac{1}{2}$ cents. In recent years the great increase in domestic production has forced down the price here, and the difference in price is not more than $2\frac{1}{2}$ cents. The better quality of domestic Lake copper would cause it to bring $1\frac{1}{2}$ cents more than Chili bars under any circumstances. Cost of transportation (from London to New York) is insignificant. It is safe to say that any difference in price over and above $1\frac{1}{2}$ cents per pound could not exist if it were not for the duty on copper.

TABLE VI.

Product, Imports, and Foreign and Domestic Prices of Bessemer Steel Rails.

Year.	Product in U.S. ¹	Imports into U.S. ¹	Average Price in U.S. ²	Average Price in England. ²	Average Difference in Price.
1871	38,300	not given	91.70	57.70	34.00
2	94,000	150,000	99.70	67.30	32.40
3	129,000	160,000	95.90	74.40	21.50
4	145,000	101,000	84.70	57.50	27.20
5	291,000	13,000	59.70	44.10	15.60
6	412,000	none	53.10	37.70	15.40
7	432,000	"	43.50	31.90	11.60
8	550,000	"	41.70	27.20	14.50
9	684,000	25,000	48.20	24.70	23.50
1880	954,000	158,000	67.50	36.00	31.50
1	1,330,000	249,000	61.10	31.20	29.90
2	1,438,000	182,000	48.50	30.00	18.50
3	1,286,000	38,220	37.75	25.40	12.35
1884(Jan.)			34.	21.80	12.20

¹ In net tons of 2,000 lbs. ² Price per gross ton of 2,240 lbs.

The figures of production and importation are from the Reports of the American Iron and Steel Association, as are also the prices in this country. The prices in England have been compiled from the files of the London *Economist*, checked by occasional tables in the Iron and Steel Association

Reports (*e. g.*, in Report for 1879, p. 63). Prices by yearly average necessarily indicate only the general fluctuations; but for purposes of general comparison the above are, I believe, trustworthy.

Cost of transportation varies from two to four dollars per ton. The difference in price over and above this sum represents the effect of the tariff tax. It will be noticed that in the years of activity (*e. g.*, in 1871-72, and in 1880-1) the difference in price is fully equal to the duty, which was \$28.00 per ton till 1883. In years of depression the difference in price is much less than the duty (*e. g.*, in 1875-78), and at such times importation ceases. In January, 1884, when the duty was \$17.00 per ton, the price in this country was higher than that in England by \$12.20; under such circumstances, importation must evidently cease, the duty being prohibitory.

TABLE VII.
Changes of Duty in 1883.

Article.	Duty before 1883.	Duty Received by Tariff Comm.	Duty of Act of 1883.
Barley	15c. bushel	15c.	10c.
Copper, ingot	5c. lb.	4c.	4c.
Cottons, coarse . . .	5c. sq. yd.	3c.	2½c.
“ finer printed . .	5½sq. yd. and 20%	6c.	6c.
“ mf. n. o. p. ¹ . . .	35 %	40 %	40 %
Files ²	6 to 10c. lb. and 30 %	35c to \$2.50 doz.	35c. to \$2.50
Iron ore	20%	50c. ton	75c.
“ pig	\$7.00 ton	\$6.72	\$6.72
“ bar	1c. lb.	1½c. lb.	1½c.
Linens, finer	40 %	35 %	35 %
Manufactures of iron, brass, lead, pewter, tin, etc.	35 %	45 %	45 %
Marble, block . . .	50c. cub. ft. and 20 %	75c. cub. ft.	65c. cub. ft.
Nickel	20 to 30c lb.	25c. lb.	15c. lb.
Quicksilver	free	10 %	10 %
Rice, uncleaned . .	2c. lb.	1½c.	1½c.
Silks	60 %	50 %	50 %
Steel, in ingots ³ . .	2½ to 3½c. lb.	2 to 3½c.	2 to 3½c.
Wool, value under 32c.	10c. lb. and 11 %	10c.	10c.
Woollens, dress goods ⁴	{ 6c. yd. and 35 % 8c. “ “ 40 %	{ 5c. and 35 % 12c. and 40 %	{ 5c. and 35 % 9c. “ 40 % }
“ cloths	{ 50c. lb. and 35 % 35c. “ “ 40 %	{ 30c. and 35 % 35c. “ 40 %	{ 35c. and 35 % 35c. “ 40 % }
Flannels, blankets, etc.	20 to 50c. lb. and 35 %	8 to 24c. and 35 %	10 to 24c. and 35 %

¹ Manufactures not otherwise provided for, embroideries, laces, trimmings, etc., see p. 82. ² See p. 85. ³ See p. 84. ⁴ See p. 80.

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